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THE LEAGUE'S BUSINESS

"Reviving Local Government" is the subject chosen for the seventh of the "You and Your Government" radio series, beginning Tuesday, February 13, and continuing for nineteen broadcasts. The League's Committee on Citizens' Councils sponsors the series, which will be given every Tuesday evening at 7:15, eastern standard time. Speakers and subjects for February and March follow:

February 13—"The State and Local Government." Governor Herbert H. Lehman, New York; Professor Thomas H. Reed, Chairman, Committee on Civic Education by Radio.

February 20—"New York City Blazes the Trail." Mayor Fiorello H. LaGuardia, New York City; George H. Hallett, Jr., Secretary, Citizens' Union of New York.

February 27—"Financial Problems of New York City." Miss Pearl Bernstein, Secretary, Board of Estimate; W. Arthur Cunningham, Comptroller; Bernard S. Deutsch, President, Board of Aldermen.

March 6—"New York City's Business Activities." Paul Blanshard, Commissioner of Accounts; R. E. McGahen, Director of the Budget; Joseph D. McGoldrick, Deputy Comptroller.

March 13—"Social Problems in New York City." Miss Loula D. Lasker, Associate Editor, *The Survey;* William Hodson, Commissioner of Public Welfare; Langdon Post, Tenement House Commissioner.

March 20—"Ohio Forging Ahead." R. C. Atkinson, Director, The Ohio Institute; Leyton E. Carter, Director, Cleveland Foundation; W. M. Cotton, Assistant Director, Cincinnati Bureau of Municipal Research.

March 27—"Improving Local Government in New Jersey." Governor A. Harry Moore, New Jersey; Thomas N. McCarter, President, New Jersey Public Service Corporation; Charles P. Messick, Chairman, State Planning Board.

* * *

Subjects of 1934 Baldwin Prize Essay Contest.—Professor Edwin A. Cottrell, Stanford University, California, acting as chairman of the League's committee on prizes, has selected the following as the subjects for the 1934 Baldwin prize essay contest:

1. Progress of the County Executive Plan
2. Metropolitan Area Simplification
3. Consolidation and State Control of School Districts
4. Comparative Financial Results of Social Welfare Programs in a Selected List of Cities
5. The Law and Finance of Special Assessment Districts

* * *

Appointment of Committee on Public Works.—At its annual meeting in November the National Municipal League adopted a resolution calling for the appointment of a committee to draft a model law for the advance planning of public works. Accordingly, President Seasongood announces the following committee personnel: Harold S. Buttenheim, New York City, *chairman;* Frank B. Williams, New York City, *secretary;* Harland Bartholomew, St. Louis; Russell Van Nest Black, Princeton; Louis Brownlow, Chicago; Jacob L. Crane, Chicago; Otto T. Mallery, Philadelphia; John Nolen, Cambridge; and Flavel Shurtleff, New York City.

Editorial Comment
❖
February

NATIONAL MUNICIPAL REVIEW

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An Appraisal and a Hope

UNTIL the depression became unyielding most citizens clung to the belief that stone-age boundaries and country-store business methods were as sacred to democracy as the Ten Commandments were to the human race.

The force of the continuing depression is jarring a majority of taxpayers loose from these old moorings. The average taxpayer's mind is beginning to open. He sees what is wrong—but he continues cocksure. He knows exactly how to right it—give him the chance and he will show you how to cut governments' costs.

First, he intimates, you clean up your political party, next you throw the rascals out, cut salaries of all public servants to the bone, then you trim away all *frills,* now you stop highway construction, erect no more public buildings, shorten the school term and there you are! Less cost, less government—but, he doesn't add, there is less public service per taxpayer dollar.

There isn't a citizen in the nation who would attach an out-board motor to a farm wagon and undertake to make it meet the demands placed upon a 1934 model truck. And yet there are all too few citizens who can see the absurdity and ineffectiveness of trying to get better government, less wasteful government by the meat-axe method and at the same time retain the old boundaries, the old political control, and the hoary aged popular election method of selecting administrative officials.

The hope in the situation is that the citizen is not only demanding action but in addition to that is seeking light. For example, the National Municipal League distributed upwards of 300,000 pieces of literature in 1933, over fifteen times more than during any recent year.

The fear in the situation is that the bankers or the businessmen, the public officials or the political leaders, or other elements will attempt to serve themselves and the taxpayer—each according to his own interest and theory. Each group becomes a jack-of-all-trades, and with magnificent audacity, attempts to remake an intricate, powerful social engine without either blue-prints or experts' tools. The job shouldn't be botched through either self-interest or ignorance.

The way to prevent this—the only sure, effective way—is to place in the hands of the whole people all available information on local government reorganization and administration. There are scores of institutions and organizations operating in the field of local governmental administration, discovering new methods, buttressing old facts,

strengthening working principles. Shelves of such agencies are piled high with sound methods.

Other than the League there is no organization which can place this material in the hands of the whole people. And until the people themselves understand and desire real local government reorganization, the splendidly conceived plans of experts will gather dust on the shelves.

Whether or not sufficient funds will be secured to permit the League to do in 1934 all that is expected of it is yet to be determined. But if awakened public interest and increased social need is an accurate indicator then it can help make greater progress this year than during the preceding generation in closing the enormous gap which has existed between what is known and what is practical in the field of local government administration.

The League wishes also to be prepared to furnish any group or community with full information on the best methods that have been worked out by any other community for solving any problem of local government.

It will offer the people of the nation a comprehensive course in local government during the coming months. This educational program or course will be carried on by radio, through newspaper and magazine columns, by the distribution of literature, formation of Citizens' Councils, and through public meetings.

The National Advisory Council on Radio in Education has allotted the League, gratis, a period of one half hour weekly on a national hook-up. The commercial value of the time assigned the League for 1934 exceeds $185,000. If almost any kind of commercial concern purchased that amount of radio time it would spend thousands of dollars on programs, in publicizing them, and in following up inquiries. The League, in lieu of adequate funds for such purposes, is doing its best to treat of the problems of the greatest existing agency for human welfare, an agency which does an annual business of over seven billion dollars—local government.

Another important part of the League's 1934 program, provided funds are available, will be the preparation and distribution of a weekly clip sheet service, to be sent to five thousand or more newspapers. This sheet will carry news stories, feature articles, and editorial material on topics concerned with local government problems of finance and reorganization. Newspaper editors have expressed an increasing interest in a service supplying them with unbiased information concerning developments in state and local government.

For forty years the League has been doing valiant John-the-Baptist work in the local government field—always performing miracles on small budgets and in some manner meeting every crisis which has faced local government during that period. It will meet the present sweeping crisis if civic-minded leaders who have a social as well as a financial stake in our nation will come forward and help it carry to the people the new truths and methods in government administration which scientists, students and able officials have worked out; to make clear to all citizens that these new truths and methods place no restrictions upon the fundamental and important principle of government by consent of the governed, and of the right of the majority to prevail; and finally, to help the whole public understand the methods by which government can meet its first duty—that of operating as honestly, as fairly, and as economically as possible.

Regardless of the extent or amount of public interest or public need for such a program it must be planned, directed and financed. It won't just *happen* to get launched—nothing of this kind ever just *happens*.

HEADLINES

Unpaid taxes in Toronto, says an *Open Letter* by the Bureau of Municipal Research of that city, have gone up from $5,420,980 in 1924 to about $11,000,000 at the beginning of 1934, and the bureau reaches the not unreasonable conclusion that "something must be done." As a starter it suggests (1) centralized purchasing, (2) consolidation or coördination of parallel departments, (3) improved budgets, (4) personnel studies. A nutshell program for many an American city.

* * *

From this same *Open Letter:* "A citizen's views, however sound, can hardly produce tangible results, if not expressed."

Yet politicians seem to get results with views that are mostly sound!

* * *

State legislatures last year passed more than 1000 bills on taxation, either to meet governmental costs, or provide new revenue, or relieve real property, according to Raymond E. Manning of the Library of Congress.

* * *

"Some day," reports the Little Rock (Ark.) *Democrat,* "taxpayers will learn that a surplus of counties is a greater economic loss than a surplus of any crops."

* * *

Without waiting for the New York legislature to equivocate further over Governor Lehman's county-reorganization message, Westchester County, containing many of the more destitute governments in New York City's wealthy suburban area, takes definite steps toward reconstituting itself. This is permissible under a special law of 1922, giving the county a wider modicum of self-government than most. A committee of the county board of supervisors is already working on a new charter program.

As to Governor Lehman's state-wide reorganization proposal, the legislature faces a familiar dilemma: how to do something about it without getting anything done.

* * *

Binghamton city manager reports $250,000 less expenditures than appropriations for 1933; also a substantial cash surplus in the treasury. Factors in bringing about this rainbow condition: conservative budget estimates, judicious spending, and "splendid response of citizens during the depression in meeting their tax payments."

* * *

The *League Script,* journal of the Minneapolis Teachers' League, devotes its February issue to the consideration of fundamental reorganization plans in local and state governments, using material describing local efforts in this direction from all over the nation that might bear on Minnesota. Public service journals everywhere might follow this example, vastly to the profit of their constituents. Never was a time when so much of this kind of material was so available, and never the time when it so needed to be put before the people.

Elmira, N. Y., Asbury Park, N. J., Ashland, Ky., and Paducah, Ky., commence the new year under the manager plan of government as also do Albemarle and Henrico Counties, Va.

* * *

Cuyahoga County, Ohio, which includes Cleveland, clamors for a more centralized financial control. At present 103 separate taxing units in the county submit their own annual budgets.

* * *

The debt service of Dayton, Ohio, for purposes of flood control is said to equal the total annual operating expenses of Dayton's city government. Is this what they mean by "floating debt"?

* * *

Interest on tax anticipation warrants of the Rockford, Ill., schools have totalled $436,000 in the last ten years—sufficient, it is claimed, to have allowed for the construction of two new school buildings. A little tax anticipation is a dangerous thing.

* * *

The battle between public and private ownership of public utilities wages unabated, with present honors somewhat in favor of private control. Recent proposals to build municipal electric light plants were favored by the voters in Camden, N. J., and San Francisco, Cal., but rejected by them in Youngstown, Portsmouth, and Cincinnati, Ohio, and Salt Lake City, Utah. Birmingham, Ala., citizens voted against municipally-operated light and power plants, against the city's acquiring the local water supply system, against a central steam heating plant, and against public ownership of the street car system, all in one election.

* * *

To clear at least some of the haze from a very foggy situation, Millar's *Housing Letter* is making a nation-wide effort, by questionnaires and direct correspondence, to learn exactly to what extent the various municipalities of our country are engaged in the kind of social surveys Secretary Perkins of the Department of Labor advocates, as a basis for a constructive national housing program. Briefly, is the federal housing effort a thrift or a spendthrift campaign, the editors want want to know.

* * *

Cincinnati finishes the fiscal year of 1933 not only free from deficit but with a surplus of $942,000. The city council has held budget appropriations for 1934 to $14,659,787, or $127,527 under last year, even though employes are being repaid $50 a year, cut from their pay in 1933.

While liquor taxes and an unexpected balance from the sewer fund of Hamilton County were indubitable factors, application of practical business methods under a city manager administration are held to be mainly accountable for Cincinnati's fortunate financial position.

Turning Knowledge Into Votes

Telling voters what the experts know; a step towards expert government

WILLIAM ALLEN WHITE *Editor, Emporia (Kan.) Daily and Weekly Gazette*

THIS is a day of salvation by organization. More than three thousand lay organizations of taxpayers are struggling with the tax problems of their local governments. Most of these are trying to commit their governments to a policy of sanity in tax spending. A large number are devoted to "public economy," by which they mean keeping the tax levies as low as possible. Others are trying to induce citizens to pay their taxes promptly. A few discourage the paying of taxes at all.

Most of these bodies began their work on the assumption that the administrators of our local governments, and not the governmental structures themselves, were responsible for the high expenditures in public service, and that taxes therefore could be lowered by causing discomfort to the office holders. It promises well for American democracy that large numbers of our amateur tax reformers are discovering their mistake before it is too late. The term "tax striker" is not so popular as it was three years ago, and tax cuts are coming to have an unpleasant connotation. Lower taxes are desirable as ever, but a few uncomfortable experiments have shown the American people that it is wiser not to starve the public service, but to see hereafter that we get the worth of our tax money.

These are some of the more obvious difficulties that the three thousand organizations of amateur tax reformers are attempting to attack, in accordance with their own lights and with such local leadership as they can find. They make a confusing picture, possibly, as they mill around at cross-purposes, sometimes the tool of the idealist and at other times the prey of the politician. Nevertheless they are focal points in the regeneration of our decrepit structures of self-government. They have local influence, and the effect of that influence on every phase of the situations with which they are dealing, from bond issues to sanitation, depends on the information at their disposal as to successful practice in other localities.

The more the present debacle in local government is examined, the more it becomes apparent that their difficulties begin, not with the unwillingness of the American voter to do his part, but with his ignorance of the great strides we have made in the science of local government in America during the past few decades. We are shackled by our past. Research libraries and governmental organizations have shelves filled with tried and proven methods of rendering efficient public service to the people. The great need today is to clear these shelves, to get their treasures of practical guidance into the hands and minds of our citizens. Conviction of their merit will breed desire for their trial. The success of any community can be

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made a stepping stone for progress in every other community.

Dissemination of facts about the proven dangers of tax reduction by main strength instead of by analysis, would have saved this country in hard cash as well as in distress of mind and body during the past three years. Much of the discussion on cutting the costs of local government has been pure sound and fury without permanent significance. Meat-axe methods are not likely to succeed in government any more than in surgery. The services of local government are essential. They are our life's blood. The waste due to archaic administrative machinery is not, but we cannot slash blindly at both and call the result economy. The danger is that uninformed enthusiasm which characterizes so many thousand attempts at local reorganization will only result in letting our ancient local governments return, crippled, to the old wasteful ways.

WAYS AROUND DEFAULT

As an example, consider what could be done to forestall the impending bankruptcy of many American cities and counties, if the best methods developed in any one locality were put at the disposal of all the others. There are more than two hundred thousand local units of government in the United States. A comparatively small number are in actual default. Many times this number are in technical default. Only a few are in healthy financial condition. Outstanding municipal bonds of the country, with a par value of eighteen and a half billion dollars, have a market value at present of only twelve and a half billion—a loss of six billion. This appalling condition simply has been revealed by, not caused by, the depression. Waste and obsolescence that characterize local public administration are the main causes. Tax anticipation warrants, scrip, closed schools, badly kept streets, highways and public buildings, unpaid public servants, and defaults on bonds, are their birthmarks.

But there are bright spots in this morass of local government—white lights that point the way out. Cincinnati's bonds still sell at a premium, her fiscal years still end with a surplus, yet her tax rate in 1932 was the lowest of any city of her class. At the same time Cincinnati ranked among the highest in relief work, in fire and police protection and in the manifold public services for which taxes are levied; and her school term has not been shortened.

CINCINNATI SHOWS THE WAY

Cincinnati has been much publicized of late for her success in coping with depression conditions in government. Yet it is not the only city to have found a solution. Others have reached success through different methods. None of them used magic, or any other means that are not open to any intelligent electorate. Cincinnati's success is offered in evidence that the means to progress are an actuality, if the American people can be persuaded to avail themselves of them. Hundreds of municipalities are experimenting with new basic forms of government, with improved budgeting and accounting systems, with new methods of relief, highway improvement, education, sanitation. We should do more with the results of these experiments than file them in official reports, or describe them in political science meetings. They should be broadcast to the nation at large.

The most effective way would be to expand the facilities of an organization already serving this field. The National Municipal League is rendering distinguished service in the professional field of civil government. It should extend its services to reach also the mass of the voters upon whose understanding our civil servants finally must rely. This is a step that would reinforce the very foundations of democracy in America. By such reinforcement government might become a source of strength in such industrial routs as we have been facing, instead of an additional weight.

Causes and Effects of Deterioration in Municipal Credit[1]

A banker reviews our municipal financial troubles and suggests remedies

JOHN S. LINEN

Second Vice-President, Chase National Bank, New York City

IT HAS been a favorite pastime of some, shall we say, lazily-minded individuals to lay all of the blame at the door of inefficient administration and extravagant and wasteful expenditures on the part of public officials. Such extravagance and inefficiency, we must admit frankly, exist under the American system of municipal government in many more instances than we are proud to acknowledge. The severity and long duration of the depression have played their part in correcting to some extent these conditions. The taxpayer has also, during the past two or three years, found it much less convenient to meet his taxes, which, in more prosperous years, caused him little concern. This has developed a consciousness on the part of the taxpaying public which is producing a very wholesome effect on administrative bodies.

Those who are in touch with municipal conditions generally, however, well know that there are many municipalities at the present time which are facing serious financial difficulties where the accusation cannot fairly be made that wasteful expenditures and inefficient administration are responsible for the embarrassments of today. It is, to my mind, important that the public shall not ignore other fundamental errors and lay at the door of mismanagement all of the ills which now present themselves.

It seems almost unnecessary to mention the additional burden which has been placed upon municipalities in meeting relief demands at a time when they could least afford such expenditures. Apportionment of federal funds has tended to reduce substantially the amount of money which must be allotted by municipalities for this purpose in many instances, and it has been well for our social structure, as well as the acute financial conditions with which some of our municipalities have had to deal, that this federal assistance was available.

TAX COLLECTIONS VERSUS SHORT TERM LOANS

Delinquent taxes is a subject upon which I shall not attempt to dwell at great length, but I cannot justify ignoring it in any discussion of the causes of deterioration in municipal credit. It has been the practice of a large majority of municipalities to borrow to some extent against current taxes, and to a less extent against delinquent taxes. In prosperous days such financing was relatively easy to arrange. With changed conditions, however, the market for such paper has become greatly restricted. The indisposition on the part of the local banking institutions and other buyers of short term paper, to

[1]Address delivered at the National Conference on Government, Atlantic City, N. J., November 10, 1933.

purchase obligations issued against current or delinquent taxes, has been particularly unfortunate for municipalities because of the greater need for such borrowing at a time when tax collections were falling off. A vicious circle develops in this connection as the inability on the part of the municipalities to collect in satisfactory ratio, makes their tax paper less attractive to the prospective buyer. Thus, at a time when such borrowings are most needed, the security offered is less appealing to the purchaser.

According to a report of the National Tax Association issued about a year ago, it was quite clearly pointed out that vacant lots were responsible for a substantial percentage of the liens which were sold at tax sale. In many cases improvements had been made and the cost in substantial part assessed against such property. It is significant also that the report referred to dealt with tax liens which were sold in the year 1929. The percentage of the total tax liens sold which represented liens against vacant lots were, according to this report, as follows: Syracuse sixty-five per cent, Buffalo seventy-five per cent, Utica eighty per cent. This, of course, does not mean that the total delinquencies in these cities were heavy, but represents the percentage of such delinquencies, responsibility for which can be laid at the door of vacant lots.

WAIVER OF PENALTIES

I believe we should also take note of an argument which is being quite competently sponsored and advanced for the purpose of encouraging payment of delinquent taxes.

This argument is that taxes which are now delinquent will be paid in greater volume and with more satisfactory net results if present penalties applying are waived for a short period. With the need which exists today for additional tax income, this argument is a very appealing one, as it is probably true that greater collections will be possible within a limited time under such a plan. Before a definite policy is decided upon, however, there are other questions to be considered:

1. Is it fair to those taxpayers who have paid their taxes promptly to permit other taxpayers to pay at a much delayed date without any penalty or interest for the period of default? Not all taxpayers who have paid promptly have done so without difficulty and hardship to themselves. On the other hand, there are a goodly number who have not paid who could do so with far greater ease than many who have. It is important that the public sympathy of the conscientious citizens shall not be alienated by practices which discriminate against them unfairly.

2. If relief is given to delinquent taxpayers and not accorded in equal fashion to those who pay their taxes promptly, will not many who have been in the habit of paying promptly deem it to their advantage to be less prompt in the future?

There are, of course, individuals today who are definitely not able to pay their taxes, and where the enforcement of the same involves ejection from their homes, as great leniency should be shown as is practicable. We know from experience, however, particularly where penalties for the non-payment of taxes are relatively light, that many people who can pay do not do so, preferring to pay the penalties so that they may use the money with which they might have paid their taxes, for other less necessary, but more convenient, purposes.

The *Bond Buyer* in August 1931 commented on this general subject as follows: "Acceptance of bonds for taxes and laws extending delinquent dates, removing penalties, or waiving interest on unpaid taxes, merely reduce the incentive to pay and prolong the period of bond default. This, of course, is

exactly what the unwilling taxpayer wants."

OPERATING AND ACCOUNTING PRACTICES

Municipalities operating under conditions where it is next to impossible for many of them to arrange for short term borrowing accommodations, must recognize the necessity of rather radically reforming operating procedure which in the past may have proved quite satisfactory, but which today is unworkable. This involves a revision of accounting and budgetary practices and a synchronization of income periods with expense requirements so that a cash working basis can be put in operation, if not immediately, in the near future. I would be unfair to municipal governments if I did not point out the difficulty of putting such changes into immediate effect. Municipal procedure is sufficiently complex as to make such revisions overnight impossible. In many instances state legislation is necessary if desirable changes are to be made effective. Even with the legislation accomplished, the ability of the taxpaying public to adjust itself to such a radical change as may be required in advancing tax dates, the inauguration of more frequent collection periods, etc., must be carefully weighed and considered.

LOCAL BANKING ACCOMMODATIONS

There are many municipalities which have, of course, been embarrassed because of local banking conditions. In some cases such institutions, which in the past have given substantial short term accommodations, have, for one reason or another, been disinclined to do so during the past year. In other cases bank closings have not only eliminated such institutions as a borrowing medium, but have actually tied up public funds which have been accumulated to meet specific obligations. I know of several instances where municipalities have had money on deposit with which to meet bond obligations a few months prior to maturity, only to find that the money which they had expected to use was not available. Individuals and business corporations have encountered the same difficulties and investors should make allowances for such unforeseen occurrences before judging the municipality's good intentions too hurriedly. While we are comparing the experience of individuals and municipal governments, it may be well also to suggest to those who have been inclined to sharply criticize public and municipal extravagance during the more prosperous times, that they ask themselves the question as to whether they were not inclined personally to spend somewhat more freely than their judgment today, because of more recent experience, would acclaim as entirely wise. I honestly believe there are a great number of administrative bodies which are in difficulty today because they were traveling along with the general spirit of optimism which simply reflected the large concensus of popular opinion and because they responded to the demands of more prosperous times. In fairness to such officials we should recognize that their honesty and good faith were not involved. The responsibility is now, however, placed squarely before the administrative officers. Individuals have had to adjust their standards of living and their expenditures to present-day conditions. Public expenditures should be adjusted downwards where possible in keeping with these demands.

We might with profit note that the cities throughout the country which have had the least trouble in dealing with operating conditions and maintaining a balanced budget have followed the practice of setting up appropriations or their expenditure budget only in the amount of actual receipts, which can be reasonably anticipated based on the experience of the preceding year, instead of against the full income budget.

LEGISLATIVE PROVISIONS

Our theory of municipal government in the United States does not, generally speaking, provide wide discretionary power to the administrative bodies. It is probably wise that this is so, as our elective system does not surround us with any satisfactory safeguards to give assurance that those who might be charged with such discretionary powers are sufficiently experienced or competent to exercise them. There are exceptions, of course, the city manager form of government, when free from outside influences, probably most frequently justifying confidence that a broader power might to advantage be placed with municipal officials.

In passing, it is somewhat illuminating to note the background where legislation was encouraged which has proved quite efficacious as compared with the less fortunate enactments. California, when drawing up its laws relating to municipal government and fiscal matters in 1901, had the advantage of observing what many eastern states had found to be good practice through actual experience. Because California was astute enough to profit by the experiences of others, it stands today in an enviable position as far as the finances of its municipalities are concerned. The same cannot be said for its irrigation districts, but I am not attempting to deal with purely special assessment bonds in this discussion. There are, of course, many other states where really serious fiscal problems by any large number of its municipalities are rare or are restricted to such a limited number as to make them isolated cases.

Turning to the less fortunate of our more conspicuous states, we find New Jersey and North Carolina in the forefront. These states revised their municipal laws, New Jersey in 1916, and North Carolina in 1921. Such legislation showed the influence of changed credit conditions that then prevailed and broadened the powers to borrow in keeping with the demands for improved and increased governmental service. In justice to the original legislation it should be added that amendments, supplemental bills, or special acts never intended or favored by the original sponsors were passed which greatly weakened the provisions of the law. The temporary bond act in New Jersey, which was intended as an emergency measure to serve as a medium when interest costs were extraordinarily high, was later and is now responsible for many embarrassments to municipalities which ought never to have existed. The right of private sale under this act resulted in many municipal bodies being persuaded by interested parties to sell temporary bonds for permanent improvements when long term financing should have been done in the first instance.

If we are to benefit by experience, it will probably serve our purpose best if we consider a state which a well-known service agency has referred to as follows: "We know of no state-wide situation in the United States where there exists such a combination of high debts, huge tax delinquencies, and large operating deficits." I do not believe I need to tell you the state referred to is New Jersey.

WEAKNESSES IN PART RESPONSIBLE FOR PRESENT FISCAL CONDITIONS OF NEW JERSEY MUNICIPALITIES

1. The legislative authority which permits borrowing against delinquent taxes, tax liens, and emergency delinquencies has proved to be unfortunate. This has made it possible in prosperous times for municipalities to carry on without difficulty regardless of tax collections, because of their ability to borrow against uncollected taxes, and has also relieved pressure on the tax-collectors to collect taxes.

2. So-called improvement bonds, which in fact are regarded by the taxpayers as special assessment bonds, are

sold as general obligations of the issuing municipality. Such assessments are usually payable over a ten-year period, one-tenth each year. In spite of the uncertainty attending the payment of special assessment taxes, the present laws make no provision in the general tax levy for these maturing bonds. Herein lies one need for emergency delinquency borrowing which should be eliminated by the installation of more sound budgetary practices.

3. With the relatively light penalty levied on delinquent taxpayers, experience has proved that there is an insufficient urge to pay taxes to produce a fair ratio of collections even in prosperous times.

4. The present power of tax-collectors to complete settlement of the tax roll in a reasonable time is not such as to assure collections of delinquent taxes even when they have run for a considerable period.

As a result of a recent survey made by the Municipal Securities Service covering cities, boroughs, towns, townships, and villages in New Jersey having a population of 10,000 or over, it is reported that the aggregate of delinquent taxes for such municipalities as of December 31, 1932, for the years 1930 to 1932, inclusive, are as follows:

1930	$ 72,046,540
1931	90,038,871
1932	117,366,992
or a total of	$279,452,403

Thus, unpaid taxes at the end of the year 1932 for the prior three years equals approximately fifty-nine per cent of the aggregate tax levy for 1932 of the various municipalities involved. Recent tax drives in particular cities have been quite successful in improving collections of delinquent taxes. The publicity attending such drives, however, in some cases has disturbed the confidence of investors with the result that the credit position of the communities has been adversely affected.

PROMPT REMEDIAL ACTION NECESSARY

While there has been a knowledge of the increasing seriousness of the financial problems of New Jersey municipalities, as far as legislative action is concerned, with the exception of the Stout Bill passed last month, possibly better known as the Receivership Tax Bill, little has been done. These conditions can no longer be ignored if even more serious conditions are to be averted. Much time has been spent in the preparation of a new bond bill and a new budget bill. While they will not deal with all of the problems with which New Jersey municipalities are faced, they will tend to correct many of the unsound practices which are in vogue. These bills might have been and should have been passed months ago, but the bills are not yet a part of the organic law. There is a definite need today for competent and intelligent leadership and the enlisting of support for such leadership in both the state legislative body and among the officers of municipalities. This is needed if the legislative proposals are to be acted upon favorably and with dispatch. The responsibility rests upon every member of the legislature in this respect.

In addition to my confidence in the general good faith of the large majority of American municipalities, I am encouraged by the belief that the very acuteness of the present conditions will hasten legislative action and administrative changes of a character which will of themselves produce fiscal operating policies and standards far superior to those commonly in vogue today.

Therefore, I would leave you with the urge to work for such legislative and administrative changes as are necessary more aggressively than ever before. I would also leave you with the hope, which must be matched with action, that the present time shows real promise of success because of the acute financial conditions to which I have referred.

The Present State of Municipal Credit[1]

Tax delinquencies and new administrative ideals combine to change the picture in the municipal bond market

SANDERS SHANKS, JR.

Editor, The Bond Buyer

DURING the ten-year period beginning with 1922 and ending with 1931, states and municipalities floated security issues having a par value of $13,572,761,214, or at the rate of $1,357,276,121.40 each year. The condition of the market for municipal securities during that period was such that this huge aggregate of loans, bearing coupon rates of from three and a half per cent to six per cent, were sold quite readily to investors at or close to par value. A record of the average market prices of the bonds of twenty large cities as of the first of each month during this same ten-year period furnished an index to the rate at which the typical city, county, or smaller unit of good credit was able to borrow capital. At the beginning of 1922, this average basis price (or interest cost to the borrower) was about 4.40 per cent. In the succeeding seven and a half years this average interest cost was never greater, while at times loans were negotiated at an effective net interest rate of less than four per cent. In 1929 municipal bond prices broke sharply with the stock market, but quickly recovered and went to a new high in the spring of 1931, when the average interest rate was only 3.75 per cent.

During that remarkable period of easy money, no one ever talked about unbalanced budgets, payless pay-days, or defaults, or inquired about tax collections. Occasionally, some particularly offensive borrowing proposal would come in for criticism and, perhaps, fail to find a market. On the whole, however, states, counties, cities, towns, villages, and a hundred different types of districts in forty-eight states (except Florida after the local boom had collapsed) found the market ready and generally eager to buy their bonds at prices at least high enough to constitute a legal sale, and frequently on such attractive terms as definitely to encourage borrowing.

This was a period of great expansion in local government. The voters were demanding new and better roads, more school houses, public parks and playgrounds, sanitary sewer systems, and hundreds of other facilities and services, which cost money to acquire and more money to maintain. Bond issues to cover the capital costs were freely authorized in the belief of prosperous, optimistic taxpayers that the burden of these loans, spread over ten, twenty, or thirty years, could be carried without strain. It was during this same period that the overlapping special district became a popular agency through which to finance some of the more ambitious types of public improvements. The fact that long before the end of this pe-

[1]An address delivered before the National Conference on Government, Atlantic City, N. J., November 10, 1933.

riod had been reached debts were increasing much faster than taxable property values or population, was almost completely lost sight of in the hysteria of the final stages of the speculative bubble which burst in 1929.

THE RISING BORROWING RATE

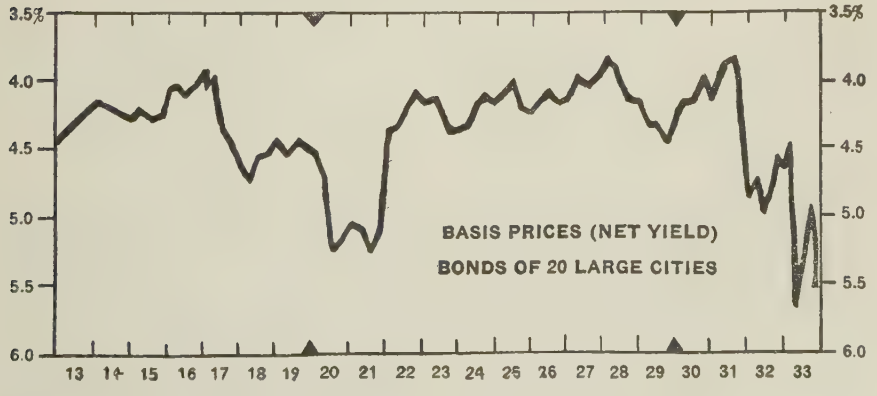
So much for that picture. Now we look at the period beginning the latter part of 1931 and on down to date, roughly the past two years. The municipal bond price index just referred to tells the story. In contrast with the 3¾ per cent borrowing rate of the spring of 1931, we find an average rate of almost five per cent recorded in the closing months of that same year and that trend continued on through the five per cent level in early 1932. Following a slight recovery during the latter part of 1932, the rate moved abruptly upward again with the banking crisis in March of this year, and about May 1 the index read almost 5.75 per cent as against 3.75 per cent just two years earlier. In the last six months there has been a substantial improvement, but on November 1 of this year the index was still above five per cent.

The violent disturbance of the bond market in October 1931 had an immediate effect upon the volume of borrowing. A month-to-month record of new issues of state and municipal bonds, beginning with that month, reflects this rather accurately. In that month only $18,000,000 of new loans were floated as compared with $119,000,000 for the preceding month and $158,000,000 in October of 1930. The total for the full year 1931, while large, was smaller than for any one of the preceding seven years. In 1932 the contraction of the volume of new borrowing continued. Not including funds advanced by the R. F. C., the year's total was $806,587,-068, a reduction of 40 per cent as compared with the 1922-31 yearly average. In 1933, to November 1, and again omitting R. F. C. and P. W. A. loans, the total borrowings have reached the abnormally small total of only $373,-889,064, a reduction of about 66⅔ per cent as compared with the 1922-31 yearly average.

CONTRACTION IS GENERAL

This contraction has not been due to reduced financing in any one state or group of states; it is general throughout the country. For example, in 1926, a typical year, California borrowed $100,-000,000 in the municipal bond market. This year, in ten months, her total is

MUNICIPAL BOND PRICES



Compiled by the Bond Buyer

$24,501,000. Florida, in that year, swapped $41,000,000 worth of city, county, and district bonds for almost an equal number of northern dollars. So far this year new Florida bond issues amount to exactly $150,000. Other examples taken at random, and omitting Federal Government advances in each case, are:

	1926	Ten months of 1933
Illinois	$ 45,000,000	$ 4,547,700
Michigan	67,000,000	1,571,892
New Jersey	95,000,000	16,672,244
North Carolina	44,000,000	60,000
Ohio	70,000,000	9,634,483
Texas	37,000,000	1,062,197
Maryland	26,000,000	10,774,750
Massachusetts	29,000,000	26,843,300
New York	225,000,000	125,009,455
Pennsylvania	143,000,000	17,867,740
Virginia	15,000,000	1,455,500

Generally speaking, the condition of the bond market for two years has been such as to prevent the issuance of new securities in anything like normal volume. In contrast with the broad market enjoyed by states and municipalities in virtually every state until about two years ago, we now find a highly selective market in which investment dealers and their clients are exercising the utmost caution in the purchase of securities.

The bond market, however, is not alone responsible for the contraction in municipal credit operations. The principal reason why the majority of states, cities, and other local governments are borrowing no new money is that the taxpayer refuses to assume additional debt burdens. It is also quite generally true that either technical legal limits or the practical limit of capacity to support debt burdens has, in too many instances, been reached or even exceeded. Figures might be cited here showing how total bond authorizations have fallen off, but it may be assumed, I think, that no evidence of so obvious a fact is needed. Except to the extent that the Public Works Administration may see fit to finance new local governmental improvement projects, the outlook points very definitely to a period of severely reduced municipal debt-making, the duration of which will, of course, depend upon the extent and rapidity of the economic recovery of the country.

CONDITIONS VARY SECTIONALLY

A survey of the financial condition of municipalities in the different sections of the country suggests that the forty-eight states may be very roughly classified in three main groups:

The worst picture is that of four states in which municipal credit so far as the bond market is concerned has been completely destroyed. Of these, three are in the south and the other in the middle west.

The second group embraces fifteen states wherein there has been a serious failure of public revenues and numerous defaults, but where individual counties and cities still enjoy reasonably good credit. In the third and largest group are included the remaining twenty-nine states in which there have been few defaults, where the record of tax delinquency has not been so bad as to cause alarm, and where municipal debts on the whole are moderate even viewed in the light of reduced assessed valuations. In these more fortunate sections, there is today a market for such new issues of bonds as the state and their political subdivisions desire to sell. In fact, there are a few states, cities, and counties which are today able to borrow on the best terms available in over twenty-five years.

DEFAULTS

A great deal has been said in recent months about defaults on municipal bonds. Probably no one knows how many municipalities are in default at this time. Various estimates which have been made are far apart. Statistics on this subject, admittedly incomplete, are not of great value. With respect to defaults on state bonds and bonds issued by the larger cities and counties, the

SUMMARY OF MUNICIPAL BOND DEFAULTS
As Reported to *The Bond Buyer*
(Revised to Dec. 1, 1933)

1930 Population Group	Counties	Cities and Towns	School Districts	Other Districts	Total
30,000 or more	87	26	28	20	161
10,000 to 30,000	160	76	45	15	296
5,000 to 10,000	39	73	24	15	151
Less than 5,000	17	469	203	10	699
Total	303	644	300	60	1,307

(NOTE: Six states, Florida, North Carolina, New Jersey, Ohio, Texas, and Michigan, account for 859 of the total number of defaults. Other states in which defaults are numerous are Kentucky, Missouri, and Tennessee. No defaults have been reported in the following states: New Hampshire, Rhode Island, Vermont, Delaware, Maryland, Nevada, and West Virginia.)

record is reasonably complete. As of a recent date, twenty-six cities having a population of thirty thousand or more were on the default list, and in about half of these instances a coterminus school district was also reported to be in default. The number of counties in the same population group on which default reports had been received was eighty-seven. Of the forty-eight states, one has deliberately broken faith with its creditors, and in the eyes of the investor must be classified as a repudiator. This state, Arkansas, has already been haled into the United States Supreme Court by a sister state holding a substantial block of the defaulted bonds. Other creditors are also vigorously prosecuting their claims.

It has recently been estimated that about $200,000,000 of principal and interest payments on the entire outstanding state and municipal debt of the country is now in default. This figure, in the writer's opinion, is conservative. It amounts to about one year's interest and installment payment on the principal of the total estimated bonded debt of all municipalities reported to be in default as of a recent date. But even though we concede that the amount is understated, the showing is not bad when it is considered that the total gross state and municipal indebtedness of the country is approximately $19,000,000,000, on which the annual charge for interest and redemption of principal is probably not less than $1,500,000,000.

TAX LIMITS

Having a very definite bearing upon the present state of and the outlook for municipal credit in the future is the enactment of tax limit laws such as have been approved in Michigan, Ohio, West Virginia, Indiana, and other states. The municipal bond buyer is not interested in a bond supported by a limited taxing power.

So far this review of the subject has made rather unpleasant reading. There are, however, some favorable aspects. First, and of the greatest importance at the moment, is the improving trend of tax collections. This is not yet general in all sections, but reports from a number of cities are very encouraging.

Another encouraging factor is the absence of any tendency on the part of insolvent municipal debtors to repudiate their obligations or take advantage of technical legal flaws to escape payment. It is to be hoped that failure of debtors and creditors quickly to reach readjustment agreements will not lead to widespread repudiation.

Another favorable aspect of the municipal credit situation is the very considerable extent to which cities and other governmental units have reduced governmental costs through economy and greater efficiency. Only yesterday, for example, a report of the St. Louis

(Continued on Page 106)

Federal Legislation to Help Defaulting Municipalities[1]

Analysis of the proposed Sumners law to improve municipal debt adjustment

E. FLEETWOOD DUNSTAN

Chairman, Municipal Securities Committee, Investment Bankers Association of America

WE ARE all impressed with the fact that the matter of deterioration in municipal credit is of great concern to the nation. It should be. Local government must be preserved. The President of the United States has only recently called our attention to the fact that the greater part of government as it affects our daily lives is our local government. We must not let it break down. What are we going to do about it?

First, it is necessary to give Mr. Citizen the very best possible kind of government at the least possible cost. In the last year or so there has been aroused in him a very keen desire to know more and more about his local government. Take advantage of this receptive mood for information! He will be a more willing supporter of his government. Then we shall have to go after the collection of taxes. We are going to hear the term "tax slacker" or "tax dodger" more and more frequently, and it is not inconceivable that in time it will be very unpopular in this country for a man not to pay his taxes.

The long upward curve of mounting *local* taxes was halted in 1932. We have a decided drop for this year and the indications are that our citizens will have still less assessment upon them for 1934. As the storm of depression hit us, there was a compelling need for retrenchment and elimination of all waste; and every municipal administration has faced the problem of reducing governmental costs. Generally speaking, the problem has been met courageously. In spite of this retrenchment, however, some of our municipalities have not been able to keep step with this unprecedented period of deflation. Many are in default on their obligations and many more have slipped close to the thin edge of temporary insolvency. Intelligent and friendly coöperation between officials and creditors is at once necessary. It has been my observation that in almost all cases where relief has to be given, it is of a temporary nature only.

It has been possible time and time again to evolve a plan of adjustment which is satisfactory to the city and a majority of its creditors. Usually all that is necessary is a judicious refunding of debt. If the plan could be promptly consummated, it would be the means of a rapid improvement in financial stability. Unfortunately, the plan may be blocked by a few creditors. In fact, one creditor may successfully oppose it. Under our present laws it is necessary to prevail upon one hundred per cent to effect a successful refunding plan. So far, a great majority of investors in municipal bonds have shown a sym-

[1]Address delivered at the National Conference on Government, Atlantic City, N. J., November 10, 1933.

pathetic interest in the financial condition of municipalities and have readily accepted new securities where there was an apparent evidence of good faith and actual ability to pay in due time. In virtually every instance, however, the city finds that a small percentage of bond owners "holds out" for payment in full. Some of these may be trustees whose technical legal position does not permit them to take less than one hundred cents on the dollar with no postponement, even though, acting for their own personal account, they would do so. Selfishness will always dominate the motives of a limited few, and these few will want their "pound of flesh." Then, too, it is not always possible to contact all the creditors. For one reason or another they cannot be located.

DIFFICULTIES OF UNANIMOUS CONSENT

It is not practical to operate under the present system which requires one hundred per cent approval. It causes embarrassment to the municipality and jeopardizes the best interests of the large majority of its creditors. It was for this reason that Congress was asked last spring for corrective legislation in the form of the Sumners Bill, H. R. 5950. It passed the House on June 9 and, as the Fletcher Bill, S. 1865, is expected to be considered at the regular session of the Senate, beginning in January. The purpose of this bill is to give the federal court the right to compel the small minority to accept the same treatment which the majority has agreed upon and which is believed best for both the municipality and its bondholders. It is designed to correct outstanding defaults and to actually prevent an anticipated default.

Unfortunately the Sumners Bill has been erroneously called a bankruptcy bill by reason of its being offered as an amendment to the Federal Bankruptcy Act. A city cannot become a bankrupt under its provisions, discharge itself of all its obligations and start again without debt. It does not necessarily mean that the creditors will be compelled to compromise their claims or sustain any loss. *On the other hand,* there is no compulsion on the part of the *municipality* to act under the provisions of the bill. If the municipality comes into court with its creditors, it does so voluntarily. The bill provides a forum, namely, the federal court, where the creditors and debtors with competent legal counsel may meet to adjust their differences.

SAFEGUARDING THE CREDITORS

The mere declaration by a municipality of its inability to pay is not in itself sufficient warrant for the initiation of court proceedings. The opinion of creditors as to the city's inability to pay must be established to the court's satisfaction before it authorizes the proposed proceedings. To this end provision is made for the approval in writing of those owning not less than thirty per cent of the debt outstanding before the court will hear a municipality's petition. This percentage is deemed a barrier sufficiently high to discourage dishonest administrators from attempting to utilize the new court machinery for the purpose of evading their just responsibilities.

Nothing within the field of practical economics or principles of municipal government exists that should prevent the owners of thirty per cent of the city's obligations, or their representatives, from speedily determining the cause of the default, the ability of the municipality to pay currently and in the future, and the most practical way for the municipality to fulfill its obligations consistent with this capacity. These representatives as well as those authorized to act for the city must be governed by an honesty of purpose and by established rules of equity and justice.

The plan is presented to the court

with the approval of the municipality and the thirty per cent of its creditors. The court must then satisfy itself that it is fair, equitable, does not discriminate in favor of any class of creditors, is based upon reasonable capacity to pay, and is feasible. It may not be confirmed by the court until accepted in writing by creditors holding two-thirds in amount of claims in each class and three-fourths in amount of all claims affected. The legislation is designed to give relief and protection to both creditors and *taxpayers* of a taxing unit by an equitable composition of its entire debt if necessary, or of any single class of debt, such as temporary notes, improvement bonds, etc., or by a simple refunding operation. It does not presuppose scaling of principal or interest. It is merely designed for the orderly handling of municipal debts and to defeat selfish minorities.

AN AID TO STABLE CREDITS

I can see nothing in this proposal unfair to either the creditor or the debtor. On the other hand, it should help both. If passed this legislation will go a long way toward stabilizing credit conditions in the United States. It has been stated that there is at least two hundred million dollars in principal and interest on municipal issues now past due and that the total outstanding debt of those communities affected exceeds one and a half billion dollars. The market value of the bonds representing this debt has been terrifically depleted because the communities are unable to put through necessary reorganizations under our present laws. The bonds are quoted all the way from five to fifty cents on the dollar, but if it were possible to readjust their financial affairs, there would be an immediate increase of large proportions in the intrinsic worth of these bonds. We need to thaw this debt and clear away some of the debris left by the storm of the depression.

Municipal default not only brings distress to the bondholder who is often an institution acting in the capacity of a trustee, but the fact of default immediately starts a vicious circle of further and progressive impairment of market values (and, necessarily, in values for purposes of taxation) of real estate in the defaulting community. With it comes stagnation and extinction of equities through continued depreciation; a renewal of the threat of foreclosures; distressed owners, apprehensive of confiscatory taxation, "dumping" their holdings; and the elimination of the small home owner. The result is decreasing property values and tremendous impairment in tax collectibility. Only final settlement of the default will check the tide. Part of the damage to the tax structure is irreparable. Make no mistake about that! To fortify a municipality against further damage, an expeditious adjustment remedy is imperative.

Believing the principles of the legislation just outlined to you to be to the best interests of all concerned, the Investment Bankers Association of America recently passed a resolution urging its adoption. The resolution was sponsored by the Association's Municipal Securities Committee, composed of investment dealers who for years have worked closely with those of you who are administering the fiscal affairs of local government. Along with you, they feel they are schooled in the field of municipal credit.

NO ENCOURAGEMENT TO DEFAULT

The opponents of this legislation argue that it would encourage defaults in many cities which thus far have met their obligations and can continue to do so. I do not believe this will prove to be a result. It will not help the fair name of any city to go into court with its creditors. Certainly no municipality will wish to jeopardize its good standing and handicap its future opera-

tions. Remember, too, that thirty per cent of the creditors must consent to approaching the court in the first place. It is true that we sometimes meet with suggested refunding schemes of a political nature. These are promoted, without real necessity, for the purpose of manipulating the tax rate to the detriment in the end of the taxpayer. It is the plain duty of creditors to deny the refunding where conditions do not justify it or where the fiscal affairs of the municipality are being so operated that they are without assurance that the interest and principal on the refunding obligations will be met. There is nothing in the proposed legislation which will prevent these creditors from exercising their will and duty, except that they must act in *unison*. Therefore, there is no opportunity for a municipality to achieve through this medium any end other than that which accurately expresses the maximum of its ability to pay now and in the future.

Up to the present there has been a strong and active market at favorable rates for bonds of those municipalities which have properly maintained their financial position. It is the wish of all of us and the expectancy of most of us that it will continue. I heard one of those attending this conference use an expression, however, which should make us all stop and think. He said that one sound apple could not long remain sound in a barrel of bad apples. Let us get behind federal legislation for distressed municipalities so that all the apples may be wholesome. To a greater or lesser degree the responsibilities of the governing board of one municipality are the responsibilities, in form at least, of the great majority of others. Hence the investor in municipal bonds is inclined to feel that events which affect the value of the bonds of one community would eventually affect all municipal bonds. The administrative experience with the fiscal affairs of one city, therefore, is necessarily a matter of concern to administrators of all cities. Once it becomes an acknowledged fact that a municipality is experiencing an inability to meet promptly the payment of principal and/or interest of its outstanding debt, the effect on municipal credit in general accumulates adversely at an accelerating rate, as the period of default is prolonged and the number of defaults continue to increase.

To summarize: The proposed legislation is sound in theory. It was conceived by those having actual experiences with the problems of municipal defaults. It is endorsed by those schooled in the preservation of municipal credits and who have always and still do represent creditors. It is practical in its application and in my judgment when once in operation, it will be found to be most constructive in the prevention of defaults as well as in the restoration of credit after default occurs. Therefore, in its own way, it will aid in the program of national recovery. In none of its provisions does it lessen the urge for economy in municipal government, while in some it acts as a deterrent against a future repetition of extravagances in the cost of local government. In all its provisions it enables and requires the municipality involved to meet its present obligations outstanding to the limit of its capacity to pay now and in the future. Surely legislation designed to give relief and protection to both the creditor and the debtor with the approval of the plan by a federal court will promote the reestablishment of confidence in municipalities and thus their credit.[2]

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[2]Editor's Note: The present status of the Sumners Bill is summarized by Wade S. Smith in the "Taxation and Government" department of this issue.

New York City Cleans House

First reform mayor since John Purroy Mitchel launches administration of "experts" with brilliant promise

ROBERT H. CONNERY

Columbia University

A MONTH has slipped by since Fiorello H. LaGuardia was sworn in as mayor of America's largest city, but that month has been epoch-making. On January 1 of this year when Mayor LaGuardia took office, municipal government in the city of New York had reached its lowest ebb in a decade. There was every reason to believe that the corruption and graft exposed by the Seabury investigations of 1929-32 had not been eradicated. The finances of the city were in a sorry plight notwithstanding the so-called "banker's agreement" negotiated late last fall. The subway problem had come to a head following a decision of the Appellate Division of the Supreme Court holding that the city must place its municipally-owned subways[1] on a self-sustaining basis by September 10, 1935.

Faced with this situation Mayor LaGuardia has shown real executive ability during the month he has been in office. First, there has been a fairly complete house-cleaning of the Tammany heads of the nineteen executive departments of the municipal administration. They have been replaced with but few exceptions by men of outstanding merit in their respective fields.

Russell Forbes was named commissioner of purchasing and given a free hand to carry out such reforms as he thought necessary to revamp the city's purchasing system. Paul Blanshard, who had proved his investigative capacity as secretary of the City Affairs Committee, was named commissioner of accounts, with Irving Ben Cooper, able assistant of Judge Seabury, as deputy commissioner. Major General O'Ryan was made police commissioner; William Hodson, commissioner of public welfare; Langdon Post, tenement house commissioner; Paul Windels, corporation counsel; and A. A. Berle, city chamberlain, although, if the past month can be used as a basis for judgment, Berle's duties will be to act more as the Mayor's man Friday, than to exercise the slight duties that pertain to his office.

APPOINTMENTS NOVEL TO NEW YORK

The most novel aspect of these appointments is the non-political background of certain of the new men. True, Berle, Blanshard, Post, and Windels were prominent during the campaign, but Forbes and Hodson were distinctly outsiders, although no doubt sympathetic with Fusion aims. Even the appointments which might be termed "political" represent men who have some special qualifications for the office to which they have been appointed.

Already the results of these appointments are becoming visible. There has been a tightening-up of the law enforcing agencies. Police officials long in exile in suburban precincts because of their refusal to play politics with the

[1]This refers to the Independent system, managed as well as owned by the city.

Tammany bosses have been brought back to important posts of command in Manhattan. A check of the city's accounts and records by the new Fusion officials has resulted in exposing some instances of petty graft and many instances of bad business practice by the last two Tammany administrations.[2]

The Mayor attempted to solve the financial difficulties of the city by requesting the state legislature to authorize him to reorganize the entire city administration with the power to abolish positions, unite departments, or create new ones, as he sees fit. In addition, he asked the right to cut salaries of city employes, or in the case of the teachers, the firemen, and the police, to require a month's furlough without pay.

THE LEGISLATIVE STRUGGLE

Governor Lehman refused to support the Mayor's proposed bill on the ground that inasmuch as it vested dictatorial power in the hands of the Mayor alone, it established a dangerous precedent. While such powers might not be misused by Mayor LaGuardia, the Governor felt that the bill might be taken as a precedent at some future time to confer similar power upon mayors in other cities in the state with disastrous results.

The Mayor in his reply charged the Governor with playing politics and attempting to obstruct reform in the city of New York. After some negotiations which made it apparent that both men were sincere in their point of view, the Mayor and the Governor got together in conference at Albany on Wednesday, January 10, and compromised their views without great difficulty. The sweeping powers requested by the Mayor for himself alone are to be vested in the Board of Estimate and Apportionment and their exercise requires the approval of at least ten of the sixteen votes. As the Fusionists control twelve of the votes on the board, this cannot restrict greatly the Mayor's desire for reorganization.

It is in the legislature that the Mayor's bill will have its hardest sledding. The Tammany members from New York City are mostly opposed to it, although there is some sentiment in favor of letting LaGuardia "stew in his own juice." Many of the Republicans are only lukewarm in its favor. In addition, the city's civil servants, especially the teachers, firemen and police, fearing pay cuts or furloughs are fighting the bill tooth and nail. A powerful lobby representing their interests is besieging Republican and Democratic members alike in an attempt to prevent its passage.

THE SUBWAY PROBLEM

The third major problem, the subway situation, came to a head between the time Mayor LaGuardia was elected and the time that he took office. His election platform pledged the continuance of the present five-cent fare. On November 17 the Appellate Division of the Supreme Court ruled that the city-owned subway system must be placed on a self-sustaining basis by September 10, 1935. It seems clear that the only way that can be accomplished is by raising the fare. The city cannot hope to operate its subway at a higher fare than the competing privately-owned lines, so an increase in fare on its system means an increase on all the subways in New York.

It is believed that if the city is able to unify the subways and bring them under its own management before that date, the people will not object to a raise in fare. With unification in view, Mayor LaGuardia appointed Chamberlain Berle to deal directly with the operators of the independent systems.[3]

[2]For example, the granting of free passes for use of the city's ferries to persons not connected with the city government and the failure to bill property owners for special assessments dating back as far as 1926.

[3]It should be pointed out, however, that the administration has not given up hope of being

In another aspect the subway question is closely connected with the general financial situation of the city. Mayor LaGuardia has obtained the promise of a loan of $23,160,000 from the P.W.A. upon condition that the city balance its budget by February 1, 1934. Without the loan, extensions of the city-owned subway system in which the city has already invested over $150,000,000 cannot be placed in operation. These extensions would, first, cut into the earnings of the private systems, and second, increase the earnings of the municipally-managed system and thus place the city in a much stronger position in its negotiations with the private operators.

Thus within the first month of his administration Mayor LaGuardia has attacked the three major problems confronting him. Never in recent years has an administration been launched with greater promise.

The groundwork for the attack on Tammany was laid by the investigations conducted by Samuel Seabury acting as counsel for the Hofstader Legislative Committee during 1931-32. During the summer of 1933 a fusion movement was started by various city clubs interested in political affairs, aimed at uniting the independent Democrats and the Republicans against Tammany. On August 4 the nomination was tendered to LaGuardia and he accepted.

THE FLYNN-CURRY BREAK

Meanwhile in the regular Democratic camp, Edward J. Flynn, the Democratic leader in the Bronx, was attempting to persuade his fellow bosses that good judgment demanded a radical cleanup of New York's municipal government. There was already bad blood between Flynn and John Curry, the Tammany chieftain, because Flynn had supported Roosevelt and Lehman in opposition to Curry's wishes during the 1932 pre-convention campaigns. Now, when he urged the nomination of Joseph V. McKee, whose record as acting mayor for four months after the resignation of "Jimmie" Walker had been a dramatic as well as administrative success, Tammany turned him down.

At a conference held a few days after the nomination of LaGuardia as Fusion candidate, the New York Democratic leaders renominated Mayor John P. O'Brien. Mr. Flynn was conspicuously absent from this gathering. Even among the other Democratic leaders there was a distinct lack of enthusiasm for Mayor O'Brien.

Thus the campaign got under way in September as a struggle between LaGuardia of the Fusion-Republican ticket and O'Brien of the Tammany-Democratic machine. The choice presented a nice dilemma to the conservative Democratic voters. They were opposed to the re-election of Mayor O'Brien but equally dissatisfied with the nomination of LaGuardia.

It was only when the first week's returns from the *Literary Digest* poll were published late in September, showing LaGuardia leading O'Brien five to one, that Flynn realized the true extent of the revolt against Tammany. It was then apparent that Tammany was going to be beaten and beaten badly. Not only would the Fusion ticket win the city election but there was grave danger that Flynn's Democratic organization in the Bronx would be carried down in the general Tammany debacle and that he would not even control the local offices in his own borough.

The next day Flynn took a plane to Washington and there consulted with Postmaster-General Farley. There was no love lost between the Tammany chieftains and Farley who recalled their bitter fight in the Chicago convention to keep Roosevelt from being nominated. In addition he was looking ahead to the 1936 national campaign, when a hostile Democratic organization

able to retain the five-cent fare after unification. See Chamberlain A. A. Berle's interview, N. Y. *Times*, January 16, 1934.

in New York City might have a very bad effect on the President's chances of re-election.

"HE WHO HESITATES IS LOST"

As a result of this conference Flynn came back to New York ready to urge McKee to run as an independent. McKee was not any too willing to re-enter politics even with this support. Therefore it was only after considerable pressure was brought to bear by his closest political friends that he finally consented to run. On September 30 he announced his candidacy on a Recovery ticket.

There is no question, however, that the aim of the Farley-Flynn-McKee triumvirate was not the aid of Tammany but its defeat. They were interested in breaking the scissors grip of Tammany upon the Democratic party in New York City. Yet it was a strange combination: Farley, the political representative of a liberal President; Flynn, the boss of the Bronx, little better, little worse than the run of city bosses; and McKee, the honest, able but innately conservative executive.

McKee's entrance into the campaign threw a panic into the Fusion ranks. For a time it looked as if he would win hands down despite his late entrance. The entire Bronx Democratic machine under the leadership of Flynn bolted the Tammany ticket and threw its support to McKee.

PRESS WITH LAGUARDIA

LaGuardia was fortunate in having a good section of the press behind him. The *World Telegram,* a Scripps-Howard paper, strongly supported him from the beginning. The *Herald Tribune* and the *Times* supported him editorially if with somewhat less of the crusading spirit of the *World Telegram.* McKee had chiefly to rely on the *Sun,* the *Daily News,* and the Hearst papers. But those newspapers which reached the normally conservative voters were supporting LaGuardia and that fact did much to insulate him from the full effects of McKee's charge of radicalism.

There was no lack of sufficient funds in any of the three rival camps. According to the official reports, McKee spent the largest amount—$231,935; O'Brien, $197,167; and LaGuardia, $106,807. The Fusionists could have had more without any difficulty, especially during the closing days of the campaign.

A post-mortem of the campaign brings out certain facts. Flynn and others of McKee's political sponsors made a major mistake in not urging him to become a candidate early in the summer. With the support of the same Democratic groups that bolted the Tammany ticket together with many of those who later supported the Fusion slate, in all probability McKee would have won the election by an overwhelming majority.

On the other hand, McKee's entrance into the campaign, late as it was, did save the Bronx local offices for the Flynn organization. Had he not run, it is quite likely that the Fusion party would have carried them also. Thus in some respects Flynn and the Recovery Democrats emerged from the campaign stronger than they went into it. There is every indication that they expect to continue their fight to oust the present Tammany leaders and to obtain control of the Democratic organization in New York City.

Would McKee have made a better mayor than LaGuardia? Who can answer that question? LaGuardia is distinctly more liberal in his views than McKee. During the month he has been in office he has shown fine executive ability which gives promise of greater things to come. Speculations upon the endless possibilities of politics are as uncertain as those of Uncle Remus on the flood, when he said, "Dey mout er bin two deloojes; en den agin dey moutent."

The Advance of Rational Liquor Legislation

Secretary of the National Municipal League Committee on Liquor Legislation reports progress.

LUTHER GULICK

Columbia University
Director, Institute of Public Administration

WOULD you believe it, seven American states have adopted laws to control the liquor business through the state sale of alcoholic beverages.[1] State liquor authority bills are also being officially considered in at least five other states and legislators in many states have shown great interest in control through sale. The governors and legislatures of the states which have already taken action have said "who's afraid" of the fallacious American slogan "don't put the state in the liquor business," and one must respect the honesty and intelligence of their reasoning. After all, a state which taxes the liquor business and which prescribes the details of the business, passing upon the hours of sale, the character of dealers, the location and number of stores, and the kind of furniture is certainly "in the business" just as truly as a state which buys and sells alcoholic beverages as a means of control.

What America demands today is a plan of liquor control which has a chance of successful administration. Reasonable people will not be dissuaded from trying such a program merely because of a threadbare and superficial slogan.

The first characteristic of the laws which have been passed is, of course, a definite acceptance of the principle of state control through the sale of liquor. With this in mind, the state liquor authorities are given the powers of buying and selling liquor, establishing retail outlets, fixing prices, regulating advertising, and the designation of restaurants, hotels, clubs, etc., as agents or licensees for the sale of alcoholic beverages purchased from the authority. In the fixing of prices, discretion is left entirely in the hands of the state liquor authorities, except in Washington, where the law prescribes that the prices shall be so determined by the liquor commission that the net annual revenue received shall approximate twenty-five per cent. The control of advertising is also left to administrative discretion, though in Washington any form of advertising, even by the state authority, is prohibited. The Delaware law provides that for two years advertising shall be limited to newspapers and the radio except in the case of beer and wine, for which posters may be used.

Though Delaware and Pennsylvania place taxes of seventy-five cents and a dollar, respectively, per gallon on distilled spirits, liquor taxation is, of course, unnecessary in states which control through sale. They collect not taxes but profits. The Oregon law contains the wise provision that the state liquor

[1]These states are Delaware, Michigan, Montana, Ohio, Oregon, Pennsylvania, and Washington. The Committee is indebted to Miss Elizabeth Laine of the Bureau of Social Hygiene for digests of the laws enacted.

authority shall have power to enter into contracts with the federal government "in the event that the United States government provides a method whereby taxes are collected at the source." This definitely opens the way for a state-federal compact looking toward the tax program outlined by the Interstate Commission on Conflicting Taxation and suggested in the Fosdick-Scott report, "Toward Liquor Control".

REMOVING THE PROFIT MOTIVE

In conformity with the objective of excluding, as far as possible, the element of private gain in the handling of alcoholic beverages, the compensation of store managers and employes in the state liquor stores is to be fixed administratively on an annual salary basis and not on a percentage or commission basis. In Michigan and Ohio, in addition to state stores, the liquor authority may designate privately owned stores as agents, and here again the compensation of the agents is fixed on a yearly basis and not by profits or commissions. While Delaware does not specifically provide for state retail liquor stores, it does provide that all retailers must buy through the commission.

Drinks by the glass are provided through the licensing of hotels and restaurants in Delaware, Michigan, Ohio, and Pennsylvania. In Oregon and Washington beer and natural wines only may be sold by the glass. In Montana beer only may be sold for consumption on the premises.

The limitation of sale to consumption with meals has been abandoned except in Montana and Oregon.

The state alcohol control authorities are also given complete control through a license system over manufacture.

Local option is provided in all seven states. In Ohio and Oregon the local option vote is extended to all classes of liquor. In Michigan the counties determine by vote whether the manufacture and sale of liquors shall be permitted, and in addition, cities, villages, and towns may, on petition, vote on the question of the sale of spirits by the glass. In Pennsylvania elections are to be held in municipalities only with respect to the granting of licenses to hotels, restaurants, and clubs. The state liquor authority is given full power to determine where and when it will place its own stores for the sale of package goods. The Delaware law states that in any district where the majority of the electors vote against license, the application of the act and its provisions will be suspended, while the Montana and Washington laws provide for the submission of but the single question as to whether the sale of liquor shall or shall not be permitted within the given governmental unit. The Oregon law does not prohibit the possession of liquor in dry areas.

FEDERAL ACTION NEEDED

While the seven state laws regulate or prohibit the private importation of alcoholic beverages into the state, none of the laws provides for coöperation with the federal government in the control of this traffic inasmuch as it is necessary at this stage for the states to await federal action.

The allocation of funds is extremely varied. In Michigan, Oregon, and Pennsylvania, the profits are earmarked for special purposes, such as old-age pension funds, mothers' aid, and relief to the indigent, while in the other states profits are not earmarked but pass into the general funds. The Oregon and Washington laws provide that dry governmental units are not to participate in the receipts.

An interesting proposal has been made in New York State in two important bills which provide for liquor control through state sale, where it is suggested that the revenue from the liquor business be returned to the local units of government to be used for debt service. While this proposal might be interpreted as

conflicting with the recommendations of the National Municipal League's model law, which opposes the earmarking of the revenues in any form, it is to be noted that earmarking for debt service is not subject to the same dangers as earmarking for current expenditures or special welfare funds.

From the standpoint of American law and administration, the new legislation dealing with liquor control is of interest for two chief reasons. The first of these is the acceptance of the principle of control through sale. Where American government has gone into the business and sale of such things as water and electricity, the major objective has been public service. Where government has sold coal or potatoes, the objective has been the relief of the poor under emergency conditions. In buying and selling liquor, however, we have two entirely new objectives. These are the establishment of effective control primarily through the eradication of conflicting private profit motives, and second, the easy and effective administration of revenue measures. In the European countries, government monopolies have been established for such things as tobacco, salt, and matches purely from a revenue standpoint in recognition of the fact that there is no better method of stamping out tax evasion than government monopoly.

A second point of major importance in connection with the new liquor legislation is the very broad administrative powers which are left to the state liquor control authorities. The state liquor authorities are not to be regarded as on a par with the other governmental activities of the state government, as they are, in the nature of the case, semi-private and semi-public corporations engaged both in the business of merchandising and in the exercise of public control. In recognition of this, most of the liquor authorities have been placed in the hands of commissions. Michigan has a commission of five, Montana utilizes its state board of examiners, Ohio created a commission of five members including the administrative officer. Pennsylvania, Oregon, and Washington each has three members. The only exception is Delaware where "the commission" is limited to one man because of the universal confidence which is placed in Pierre S. duPont, who was designated for the post.

Though American courts have been extremely liberal in sustaining the powers of authorities entrusted with the control of liquor, the new commissions must watch their step and make provision for appeals and hearings if they hope to sustain all of the broad powers which have been entrusted to them in these new laws.

THE PRESENT STATE OF MUNICIPAL CREDIT

(Continued from Page 95)

Bureau of Municipal Research was called to my attention which shows a reduction in the total appropriations of 28.7 per cent from the peak year 1930-31.

Accomplishments made in this direction will, it is believed, have a more or less permanent value, and the return of normal conditions will find many of our cities and other local governments in sounder condition than ever before. Already it is perfectly obvious to the most casual observer that when it comes to borrowing money for short or long term, it abundantly pays a city to practice constructive economy.

The Federal Government Recognizes the Cities[1]

Why the future city must place its reliance on the nation and not the state

CHARLES E. MERRIAM

University of Chicago

For the first time, it has been recognized that cities have a place in the sun. It might also be said that the United States Government has discovered the urban communities. This Union is not a league of states but a government of the people; and now it appears that cities are people too.

The position of cities has been made clearer by two events of recent days. One of these is the reorganization of our national industrial life under the "New Deal," and the other the repeal of the eighteenth amendment.

These two situations have made the place of American cities plainer than ever before in our history.

In the repeal of the eighteenth amendment we have lifted from the city a burden greater than it could bear, and have made possible the elimination of the gangs of bootleggers and gangsters who have lorded it over many of our metropolitan areas.

The way is now open in cities for the emergence of new types of municipal leadership advancing to higher levels of municipal achievement.

Neither the underworld as seen in Al Capone nor the upper world of rotten finance as seen in the exiled utility king Insull, will be as powerful in the affairs of cities in the next generation as they have been in the past.

It was the combination of these forces that made the way of city government difficult, for the interests of the mass of the citizens were sacrificed to the greed of a few, who piled up vast fortunes through their control of city government.

In the reorganization of our industrial life, we have found the state incompetent and almost useless, and we have found out the importance of the city as a unit.

The state has not been able to deal effectively with the banking situation. The state has not been able to deal effectively with the unemployment situation. The state has not been able to deal effectively in many cases with the educational needs of the time. The truth is that in this emergency period it has become clear that the national unit is the only one which can deal effectively with problems which are in their very nature nation-wide. Local questions can be dealt with locally, but national questions must be dealt with nationally; or not at all. This is not a problem in constitutional theory, but a decree of the practical situation in which we find ourselves.

In these recent days, the relations between cities and the United States have become increasingly close. This is plain in the administration of unemployment adjustment and relief; this is seen in the loans made by the Public Works Administration to municipalities without the intervention of the state.

[1]Address delivered at the National Conference on Government, Atlantic City, N. J., November 10, 1933.

City representatives have been heard before congressional committees and their proposals seriously considered by the solons in Washington.

When the first plans were made for unemployment adjustment, the cities were not consulted; but now they are in intimate touch with what is happening.

WHERE STATE CONTROL FAILS

In many instances the state is a fifth wheel as far as city government is concerned. The state will neither grant autonomy to the cities, nor will it assume the burden of administrative supervision over them. The state will neither rule, nor permit any one else to rule over metropolitan regions.

It cannot be too often reiterated that the chief problem of cities is that of authority to act promptly and effectively in the peculiar metropolitan situations which are constantly arising. Too great deliberation and delay, too much small trading for petty or personal favors, too much raising of the war cry against urban domination, too great consideration for the special and vested interests in cities which often trust their case with someone well outside the city—these are the conditions that render it hard for a city to advance in the directions indicated by urban needs. A housing problem, a park or recreation problem, a question of the city's relations to public utilities, a reorganization of courts or judicial procedure in an urban area, any of these raises a flood of objections from those unfamiliar with the stress and pressure of urban conditions. This may cause disastrous delay, mangling of enabling legislation, crippling of the plans proposed in one form or another. Out of all this comes the ghastly frustration of the comunity's effort toward the goal of public welfare.

It can hardly be supposed that Chicago could be held indefinitely in check, if with half the population of the state it was actually determined to make its influence felt in the state capitol. The prospect of a long period of such political maneuver is not pleasant to contemplate, however, either from the point of view of the city or of the state.

Nor can it be forgotten that many other municipalities in Illinois are in almost as unfavorable a position as Chicago. They also lack authority to deal with their local questions and suffer from the delay and uncertainty of legislative action; and they are likely to make common cause with the larger city in an effort to obtain what they regard as proper recognition by the state. The powerful Illinois Municipal League under strong leadership has long taken a definite position in regard to the importance of home rule powers, and there is every reason to believe that it will become more vigorous in the future.

NATIONAL SERVICE TO CITIES

If the state is able to provide a framework in which such a metropolitan community may live and move and have its being, appropriate arrangements should be promptly and energetically made. If this is either inherently or practically impossible, then advance may well be made toward some other plan. The present situation can be continued only with great waste of funds, great loss of efficiency, and grave danger of the collapse of one of the most important units of government in our great democratic experiment.

This is not primarily the fault of the states, for they were never designed to supervise large cities, and in recent years modern trends have rendered the states as useless for city purposes as for national.

There is reason to believe that it would be easier for cities to set up relations with the United States government than with the state in many instances.

Education, health, engineering and public works, police and judicial systems, parks and recreation, public welfare services, the interests of business

and of labor, would be fitted in with the federal pattern of things far more readily and far more intimately than is now the case while the wearisome, ineffective, expensive, and confusing intermediation of state and county and other minor administrative agencies would have disappeared. It goes without saying that there is no magic in such a formula, but it might form the basis of forward-looking experimentation in simpler and sounder methods of local government and local-national relations.

A FORWARD LOOK

In considering this whole problem, it is important to take a forward look at the actual trends of American government. We may anticipate fundamental governmental changes in the near future in the direction of (1) the interpenetration of industry and government, and (2) the interpenetration of modern scientific techniques of behavior control and government.

The relationship in such fields will be closer between the city and the nation than between city and county or between city and state. Urban industrial problems are more likely to be understood and appreciated, with less suspicion and more sympathy, by the national government than by the states.

The federal government is more modernized in point of view than is the state government. Most of the states are not interested in local civil service, to say nothing of more advanced public administration. The impulse to state civil service came from the city and the pressure has continued to come from the same point. The federal government is deeply concerned with housing and city planning, with child welfare, with the problems of commerce and labor. And indeed in almost any direction in which we turn we find a more modern and progressive attitude in the national administration than in the state. This is a matter of deep importance for those who look forward to the advancement of social and industrial living in the city.

But would cities be left too dependent on a centralized federal government under such a plan? It seems unlikely. Already there are thirty-five members of the Senate from cities in the ninety-six metropolitan regions, and one hundred and seventy-one in the House. There is a large and increasing municipal bloc in Congress.

INFLUENCE OF CITY GROUPS

The American Municipal Association, a league of state leagues of municipalities with headquarters in Chicago, is already actively working in the field of municipal coöperation. Urban communities are organized under the International City Managers' Association, and the United States Conference of Mayors is a growing power. Thus there is little ground for anticipating that municipal affairs will be inadequately protected under a federal-city arrangement.

In the next decade or so the difficulty may be not that of the suppression of the cities but that of adequate administrative control over their services. They are likely to dominate states, singly or in coöperation, and to form a bloc in Congress of formidable proportions and with powerful political backing in great states of the size of New York, Illinois, and Pennsylvania. Their force in national nominating conventions alone will be such as to enable them to have the ear of the party, of its presidential candidates, indeed, of the President himself. It is not urbanism that is in danger of being left behind politically in the new organization of national forces.

The way is opening out for the city of the future. But it is too easy to conclude that the urban community will find the road to the millenium over home rule or state rule or federal supervision or any reorganization of its governmental and legal relations alone.

(Continued on Page 116)

The Four Year Trend in Tax Delinquency[1]

A study of tax defaults and their remedies in cities of over 50,000 population

FREDERICK L. BIRD

Director of Municipal Research, Dun & Bradstreet Inc.

FOUR years of hard times have attracted much more than the normal amount of attention to the ability of cities to collect their taxes. The rising barometer of tax delinquency, in fact, has been registering more and more ominous storm warnings, forecasting the crippling of municipal functions through the dwindling of operating funds and the weakening of municipal credit through inability to make full payments on outstanding obligations. This is the general picture, as reflected through the four-year period to the close of the 1933 fiscal year. There are numerous outstanding exceptions, however, to the severity of the general trend, and developments of the last few months in a number of cities are indicative of a current improvement not clearly evident in the past year's total collection results.

Well illustrating the depression trend in tax delinquency is the experience of the cities in the country of over 50,000 population, data on most of which are presented in the accompanying table. The percentage given, except where otherwise indicated, represents the proportion of each year's tax levy unpaid at the close of the fiscal year. To avoid obscuring the primary purpose of the compilation, namely, to show the year-to-year shrinkage in ability to collect current taxes, no computations have been included on the widely varying influx of taxes in arrears.

In 1930, when city tax collections were already beginning to reflect the country's declining fortunes, the median figure for percentage of tax delinquency in 145 cities of over 50,000 population stood at 10.8. In 1933 it was 25.2. The typical city, in other words, was struggling along with over one-fourth of its current tax levy unpaid at the close of the year. The long jump from a delinquency of 10.8 per cent to one of 25.2 per cent, moreover, did not take place evenly from year to year. The increase was relatively small in 1931, to 3.3 per cent; but in 1932, under the influence not only of swiftly declining ability to pay but of the anti-social attitude of the tax slacker, delinquency rose sharply to 20.1 per cent. In 1933 the rise continued, but at a less rapid rate, despite indications early in the year that the outcome might be more disastrous than in 1932. The following table gives both median figures and averages of percentages for the four years, both for population groups of cities and for the total list. Additionally the median and average spreads are shown.

These median and average computations fail, of course, to depict the problem of the individual city. They serve merely to present the general picture for the country as a whole and to offer standards for comparison. In the de-

[1]Copyright, 1934, by Dun & Bradstreet, Inc., Municipal Service Department.

MEDIAN TREND OF TAX DELINQUENCY, 1930-33

One Hundred Forty-Five Cities of Over 50,000 Population[2]

Fiscal Year Ending	1930 %	1931 %	1932 %	1933 %	Increase
Twelve Cities Over 500,000 Pop.					
Median	11.9	17.5	25.4	26.8	11.3
Average of percentages	12.1	15.9	22.5	27.1	15.0
Nine Cities, 300,000-500,000 Pop.					
Median	7.4	10.2	14.1	19.9	10.3
Average of percentages	10.1	11.4	17.5	20.5	9.1
Fifty-Three Cities 100,000-300,000 Pop.					
Median	11.8	15.0	21.4	24.1	11.5
Average of percentages	13.7	16.3	22.9	26.1	13.3
Seventy-One Cities 50,000-100,000 Pop.					
Median	9.8	12.8	19.9	25.0	13.2
Average of percentages	12.9	16.1	22.4	27.4	14.2
One-Hundred and Forty-Five Cities					
Median	10.8	13.3	20.1	25.2	12.2
Average of percentages	12.9	15.8	22.1	26.3	13.2

tailed figures in the accompanying comprehensive table, however, lies a wealth of information on the varying financial fortunes and depression hardships of the larger cities of the country.

Most significant, perhaps, is the widely differing spread from city to city between the tax delinquencies of 1930 and 1933. As compared with a median increase of 12.2, several cities show a rise of less than half this amount, a few are still close to the 1930 basis, and one, at least, has shown positive improvement. On the other hand, the increase in many instances has exceeded twenty points and in a few has been distressingly higher.

Generalization on this amazing variation is difficult, but individual investigation of most of the situations under consideration justify certain pertinent conclusions. In practically all of the cities which have sustained a much less than average increase in tax delinquency, at least one, but usually more than one, of the following factors has been present: a strong, relatively stable economic and social background, with diversified sources of wealth; a well organized and administered tax collection system, with strict enforcement of adequate penalties for delinquency; a well regarded city administration which has engendered public confidence by introducing effective operating economies early in the depression; and, in a few instances, the abnormal lowering of tax levies by utilization of fortuitous reserves or the excessive deferment of normal obligations.

Among those cities which have had to contend with extremes of tax delinquency are some in which it was unavoidable. Long continued inactivity of the single dominant industry, the collapse of the local banking system, or the disintegration of a fantastic real estate boom are characteristic situations. In many instances, however, the handicapping of essential services, inability to pay employes and weakening of credit which resulted from serious declines in revenue must be attributed to partially avoidable conditions. First and foremost have been archaic tax collection systems, ineffective even in normal times, the failure to build up good traditions of tax payment, and the neglect to impose and enforce reasonable penalties for delinquency. Secondly, and related to this detrimental

[2]In this compilation only those cities have been used for which comparable figures for the four years were available.

factor, have been politically-minded administrations, either notorious for their waste and extravagance or short-sighted as to the need for prompt retrenchment, which have failed to secure wholehearted public support. A third contributing influence has been the tax striker, or tax slacker, sometimes operating through particularly blatant and irrational organizations.

CURVES OF DELINQUENCY SHIFT

Of most immediate concern in the analysis of tax delinquency for individual cities is the outcome for 1933 as compared with 1932. Here there are grounds both for encouragement and discouragement. Positive results, in the form of improvement over 1932, are few, but there are numerous instances of a definite halt to the long and menacing increase in delinquency, accomplished in most instances by the upward trend during recent months. In this change of trend, the upturn in business, the lowering of taxes, the imposition of heavier penalties for delinquency, and the widespread pay-your-taxes agitation have had a varyingly important role. Collections have even improved in some instances where city employes, receiving salaries in scrip, have been diligent in soliciting taxpayers to use it in meeting their tax bills.

On the adverse side of the 1932-33 comparative picture, many of the most serious instances of sudden and drastic weakening of the tax revenue system are to be found in those cities which suffered sweeping banking disasters. In Detroit, Cleveland, Grand Rapids, Reading, Johnstown, to mention only a few, the freezing in closed or restricted banks of large proportions of the communities' total bank deposits had a markedly weakening effect on ability to pay taxes. In the majority of such instances concerted efforts to reopen banks and release deposits are now beginning to have encouraging results in city finances.

WHAT THE FIGURES SHOW

While the statistics presented on tax delinquency are primarily for the purpose of ascertaining trends, and are susceptible of misinterpretation in determining an individual city's financial position unless considered in conjunction with other factors, they nevertheless are exceedingly revealing, within proper limits of interpretation, of municipal financial strength and weakness.

Of outstanding interest are those cities whose tax delinquency in 1933 still ranged in the general city level of 1930. They are indeed entitled to honorable mention. In the group of over 500,000 population are San Francisco, 5.4 per cent, Buffalo, 11.5 per cent (which nevertheless found it necessary to refund a large portion of its maturing bonds), and Los Angeles, 12.9 per cent. In the 300,000-500,000 population group Cincinnati, Indianapolis, and Kansas City, Missouri, were the leaders. In the group ranging from 100,000 to 300,000 Providence easily led the country, with a delinquency of but 1.99 per cent. Oakland, Denver, and Bridgeport all ranged below 10 per cent. Among those from 50,000 to 100,000 in population those which fell below the 10 per cent level were Berkeley, Fresno, and San Jose, California; Pueblo, Colorado; Davenport, Iowa; and Binghamton and Troy, New York. There are a score of others with nearly as excellent records.

High end-of-the-year delinquency, on the other hand, is not always indicative of a weak financial status. While Massachusetts cities, for example, always show alarmingly high percentages of delinquency, it is known that as a class they are financially stable. The explanation lies in the fact that taxes become due very late in the year and are in most instances well collected, under drastic regulations, before the close of the following year. Specific illustration of this point will be found in footnotes to the table. The state, furthermore,

exercises a paternal interest in such matters. Low debts and good credit records in Massachusetts, moreover, have continued to make short term operating loans readily available.

BETTER TAX ADMINISTRATION NEEDED

The depression has brought forcefully to light many weaknesses in municipal financial administration, of which the methods and administration of tax collection are by no means the least. Many aspects of the four-year trend in tax delinquency constitute a graphic portrayal of this fact. The synchronizing of tax-collection periods with the fiscal year to avoid borrowing, installment payments, business-like collection methods, discounts for prompt payment and penalties adequate to discourage delinquency, modification of the practice of making a municipality, acting as the collection agent of another, responsible for full payment of the levy irrespective of collections, and elimination of thousands of needlessly duplicated collection administrations are among the constructive steps which are generally desirable. Many needed adjustments are, of course, impossible when taxpaying capacity is near its lowest ebb, but it is to be hoped that they will not be lost sight of when better times appear.

FOUR-YEAR TREND IN TAX DELINQUENCY

Cities Over 50,000 Population

City	Census 1930	Fiscal Year Ends	Percentage of Tax Delinquency Year Ending 1930	1931	1932	1933	Increase 1930-33a
Over 500,000 population							
1. New York, N. Y.	6,930,446	Dec. 31	14.6	17.7	26.5	26.5	11.9
2. Chicago, Ill.	3,376,438	Dec. 31	15.3e	27.5e	42.0e	41.0e	25.7
3. Philadelphia, Pa.	1,950,961	Dec. 31	16.6	21.3	25.8	27.2f	10.6
4. Detroit, Mich.	1,568,662	June 30	10.8	17.2	25.0	34.6	23.8
5. Los Angeles, Cal.	1,238,048	June 30	4.8	6.4	8.1	12.9	8.1
6. Cleveland, Ohio	900,429	Dec. 31	13.1b	16.8b	31.7b	b	
7. St. Louis, Mo.	821,960	Apr. 10 '33	20.4	23.2	26.7	31.0	10.6
8. Baltimore, Md.	804,874	Dec. 31	6.3	7.8	12.5	15.1	8.8
9. Boston, Mass.	781,188	Dec. 31	15.4c	18.1c	26.2c	28.7c	13.3
10. Pittsburgh, Pa.	669,817	Dec. 31	9.2	13.5	20.3	25.3	16.1
11. San Francisco, Cal.	634,394	June 30	1.5	1.6	2.0	5.4	3.9
12. Milwaukee, Wis.	578,249	Dec. 31	29.3d	35.6d	48.3d	66.0d	36.7
13. Buffalo, New York	573,076	June 30	.8	1.3	6.9	11.5	10.7
300,000 to 500,000 population							
14. Washington, D. C.	486,869	June 30					
15. Minneapolis, Minn.	464,356	Dec. 31	6.1	7.0	14.1	21.7	15.6
16. New Orleans, La.	458,762	Dec. 31		23.1			
17. Cincinnati, Ohio	451,160	Dec. 31	5.6	7.3	11.1	10.1	4.5
18. Newark, New Jersey	442,337	Dec. 31	25.3	28.3	32.6	35.6	10.3
19. Kansas City, Mo.	399,746	Apr. 30	7.1	7.2	9.4	11.7	4.6
20. Seattle, Wash.	365,583	Dec. 31	12.6	17.6	28.5	28.0	15.4
21. Indianapolis, Ind.	364,161	Dec. 31	2.4	2.1	4.7	7.2f	4.8
22. Rochester, N. Y.	328,132	Dec. 31	7.4	10.5	14.9	19.9f	12.5
23. Jersey City, N. J.	316,715	Dec. 31	23.6	25.3	34.9		
24. Louisville, Ky.	307,745	Aug. 31	8.5	10.2	10.4	14.9	6.4
25. Portland, Oregon	301,815	Nov. 30	16.0	22.3	31.7	35.3	19.3
100,000 to 300,000 population							
26. Houston, Texas	292,352	Dec. 31	11.6	17.7	19.4	22.4	10.8
27. Toledo, Ohio	290,718	Dec. 31	b	11.5b	30.7b	b	
28. Columbus, Ohio	290,564	Dec. 31	10.5b	16.5b	26.5b	b	
29. Denver, Colorado	287,861	Dec. 31	3.1	4.6	7.3	9.7	6.6
30. Oakland, Cal.	284,063	June 30	3.8	5.1	6.5	8.9	5.1
31. St. Paul, Minn.	271,606	Dec. 31	5.9	7.1	13.9	18.7	12.8
32. Atlanta, Georgia	270,366	Dec. 31	14.6	17.4	21.5	20.7	6.1
33. Dallas, Texas	260,475	Sept. 30	11.6	14.4	12.9	16.1	4.5
34. Birmingham, Ala.	259,678	Aug. 31	.3	5.0	12.0	17.0	16.7
35. Akron, Ohio	255,040	Dec. 31	10.9b	19.5b	37.6b	60.8b	
36. Memphis, Tenn.	253,143	Dec. 31	12.6	16.8	22.5	25.9	13.3
37. Providence, R. I.	252,981	Sept. 30	.86	.94	1.04	1.99	1.13
38. San Antonio, Texas	231,542	May 31	18.3	21.4	32.9	35.9	17.6
39. Omaha, Nebraska	214,006	Dec. 31	5.5	7.9	14.9	19.9	14.4
40. Syracuse, New York	209,326	Dec. 31	9.0	12.4	16.1	15.3	6.3
41. Dayton, Ohio	200,982	Dec. 31	13.1b	18.7b	42.4b	51.2b	
42. Worcester, Mass.	195,311	Nov. 30	30.8c	33.1c	42.2c	37.8c	7.0
43. Oklahoma City, Okla.	185,389	June 30	0 g	0 g	16.0g	10.4g	10.4

100,000 to 300,000 population							
44. Richmond, Virginia	182,929	Jan. 31	7.1	7.9	9.5	12.1	5.0
45. Youngstown, Ohio	170,002	Dec. 31	8.1b	15.1b	33.4b	42.8b	
46. Grand Rapids, Mich.	168,592	Mar. 31	6.2	10.2	18.4	23.0	16.8
47. Hartford, Conn.	164,072	Mar. 31	8.8h	8.8h	11.4h	15.7h	6.8
48. Ft. Worth, Texas	163,447	Sept. 30	14.4	16.8	21.5	28.2	13.8
49. New Haven, Conn.	162,655	Dec. 31	8.8	12.7	14.2	16.8	8.0
50. Flint, Michigan	156,492	June 30	17.2	25.8	48.3	60.5	43.3
51. Nashville, Tenn.	153,866	Dec. 31	16.1	11.3	25.5	23.0	6.9
52. Springfield, Mass.	149,900	Nov. 30	29.6c	32.0c	38.0c	42.2c	12.6
53. San Diego, Calif.	147,995	June 30	4.9	6.9	12.9	17.0	12.1
54. Bridgeport, Conn.	146,716	Mar. 31	3.7	4.1	4.0	9.8	6.1
55. Scranton, Penna.	143,433	Dec. 31	14.4	16.7	18.7	26.7	12.3
56. Des Moines, Iowa	142,559	Mar. 31	4.5i	0 i	0.3i	6.3i	1.8
57. Long Beach, Calif.	142,032	June 30	2.9	4.1	8.5	13.3	10.4
58. Tulsa, Oklahoma	141,258	June 30	67.3j	32.4	34.0		
59. Salt Lake City, Utah	140,267	Dec. 31	12.9	16.1	19.0f	k	
60. Paterson, N. J.	138,513	Dec. 31	26.3	30.5	36.4	38.6	12.3
61. Yonkers, New York	134,646	Dec. 31	11.8	15.0	23.5	31.8 [1]	20.0
62. Norfolk, Virginia	129,710	Dec. 31	25.6	26.5	34.8	36.2	10.6
63. Jacksonville, Fla.	129,549	Dec. 31	25.1	27.4	31.4	26.9	1.8
64. Albany, New York	127,412	Dec. 31	7.6	8.2	10.9		
65. Trenton, New Jersey	123,356	Dec. 31	25.0	27.6	37.0	36.9	11.9
66. Kansas City, Kansas	121,857	Dec. 31	10.4	9.1	14.6	18.7	8.3
67. Chattanooga, Tenn.	119,798	Sept. 30	7.0	9.8	17.7		
68. Camden, New Jersey	118,700	Dec. 31	26.0	28.0	31.3	34.1	8.1
69. Erie, Penna.	115,967	Jan.	17.4	21.3	27.6	47.1	29.7
70. Spokane, Wash.	115,514	Dec. 31	6.1	12.5	19.2	24.1	18.0
71. Fall River, Mass.	115,274	Dec. 31	41.1	31.9	36.7	33.2	-7.9
72. Ft. Wayne, Ind.	114,946	Dec. 31	3.6	5.3	13.0	15.1	11.5
73. Elizabeth, N. J.	114,589	Dec. 31	27.0	32.6	39.6	41.3	14.3
74. Cambridge, Mass.	113,643	Dec. 31	26.9c	27.2c	31.6c	33.9c	7.0
75. New Bedford, Mass.	112,597	Nov. 30	24.0c	25.2c	48.0c	30.0c	6.0
76. Reading, Penna.	111,171	Jan.	11.2	12.3	21.0	33.0	21.8
77. Wichita, Kans.	111,110	Dec. 31	3.8	3.3	11.8		
78. Miami, Florida	110,637	June 30	13.2	21.6	43.7	36.8	23.6
79. Tacoma, Wash.	106,817	Dec. 31	17.8	25.8	27.6	33.4	15.6
80. Wilmington, Del.	106,597	June 30	5.4	2.3	8.7	13.4	8.0
81. Knoxville, Tenn.	105,802	Dec. 31	32.7	43.8	34.3		
82. Peoria, Illinois	104,969	Dec. 31	6.0	8.0	11.0		
83. Canton, Ohio	104,906	Dec. 31	8.8b	13.5b	26.0b	35.0b	
84. South Bend, Ind.	104,193	Dec. 31	4.7	9.5			
85. Somerville, Mass.	103,908	Dec. 31	26.4c	34.0c	41.0c	41.7c	15.3
86. El Paso, Texas	102,421	Feb. 28	12.5	18.0	27.0	37.6	25.1
87. Lynn, Mass.	102,320	Dec. 31	27.0c	30.0c	37.0c	38.5c	11.5
88. Evansville, Ind.	102,249	Dec. 31	4.7	4.7	12.0	13.2	8.5
89. Utica, New York	101,740	Dec. 31	9.3	12.8	15.4	16.1	6.8
90. Duluth, Minn.	101,463	Dec. 31	5.8	7.8	16.5	23.2	17.4
91. Tampa, Florida	101,161	May 31	13.4	21.9	33.2	45.0	31.6
92. Gary, Ind.	100,426	Dec. 31	2.5	5.3	12.7	20.4	17.9
93. Lowell, Mass.	100,234	Dec. 31	29.1c	32.1c	40.5c	42.5c	13.4
50,000 to 100,000 population							
94. Waterbury, Conn.	99,902	Dec. 31	11.1	14.4	19.4	21.7	10.6
95. Schenectady, N. Y.	95,692	Dec. 31	2.1m	3.1m	6.1m	12.0m	9.9
96. Sacramento, Calif.	93,750	Dec. 31	2.7	3.6	5.9	12.3	9.6
97. Allentown, Penna.	92,563	Jan.	8.7	15.6	23.2	28.8	20.1
98. Bayonne, N. J.	88,979	Dec. 31	20.5	19.5	25.1	27.5	7.0
99. Wilkes-Barre, Penna.	86,626	Dec. 31	20.1	15.0	19.9	22.9	2.8
100. Rockford, Ill.	85,864	Dec. 31	.9	4.2	11.4	20.2	19.3
101. Lawrence, Mass.	85,068	Dec. 31	20.1c	21.8c	28.9c	29.3c	9.2
102. Savannah, Georgia	85,024	Dec. 31	11.6	12.6	15.9	19.1	7.5
103. Charlotte, No. Car.	82,675	May 31	6.2	13.0	28.7	33.9	27.7
104. Berkeley, Calif.	82,109	June 30	3.0	3.3	4.8	7.3	4.3
105. Altoona, Penna.	82,054	Dec. 31	15.9	23.4	36.8	41.6	25.7
106. Little Rock, Ark.	81,679	Dec. 31	10.9				
107. St. Joseph, Mo.	80,935	Apr. 17, '33	5.0	5.8	7.5	11.8	6.8
108. Saginaw, Mich.	80,715	June 30	6.9	21.1	23.4	29.2	22.3
109. Harrisburg, Penna.	80,339	Jan.	6.2	11.0	17.4	22.7	16.5
110. Sioux City, Iowa	79,183	Mar. 31	0 n	1.9n	7.7n	18.3n	
111. Lansing, Mich.	78,397	Apr. 30	9.9	15.5	19.2	30.2	20.3
112. Pawtucket, R. I.	77,149	Dec. 31	1.8	3.6	27.9	27.4	15.6
113. Manchester, N. H.	76,834	Dec. 31	12.3	13.0	17.0		
114. Binghamton, N. Y.	76,662	Dec. 31	3.3	4.5	6.9	8.9	5.6
115. Shreveport, La.	76,655	Dec. 31					

50,000 to 100,000 population								
116.	Pasadena, Calif.	76,086	June 30	3.2	5.2	8.5	12.3	9.1
117.	Lincoln, Nebraska	75,933	Aug. 31		10.1	14.5	19.5	
118.	Huntington, W. Va.	75,572	June 30	10.8	12.7	16.2	24.1	13.3
119.	Niagara Falls, N. Y.	75,460	Dec. 31	1.2	3.5	7.6	13.7	12.5
120.	Winston-Salem, N. C.	75,274	June 30	6.4	8.5	11.3	15.3	8.9
121.	East St. Louis, Ill.	74,347	Dec. 31	9.3	14.4	28.0		
122.	Troy, New York	72,763	Dec. 31	1.7	2.1	3.8	5.4	3.7
123.	Quincy, Mass.	71,983	Dec. 31	38.4c	39.2c	45.7c	46.4c	8.0
124.	Springfield, Ill.	71,864	Feb. 28	3.5	1.3			
125.	Portland, Maine	70,810	Dec. 31	5.2	6.5	10.3	13.4	8.2
126.	Lakewood, Ohio	70,509	Dec. 31	18.8b	18.0b	31.5b	48.0b	29.2
127.	Roanoke, Virginia	69,206	Dec. 31	28.8	28.1	33.0		
128.	Springfield, Ohio	68,743	Dec. 31	9.2	8.7	11.5	16.6	
129.	Mobile, Alabama	68,202	Sept. 30	4.7	9.1	15.7	19.7	15.0
130.	New Britain, Conn.	68,128	Mar. 31	7.4	10.6	15.4	20.2	12.8
131.	East Orange, N. J.	68,020	Dec. 31	29.9	33.1	39.9	42.9	13.0
132.	Racine, Wisconsin	67,542	Dec. 31	16.7	33.7	38.0		
133.	Johnstown, Penna.	66,993	Jan.	15.1	20.4	33.5	47.0	31.9
134.	Cicero, Illinois	66,602	Dec. 31	14.3e	15.3e	29.8e	42.2e	27.9
135.	Atlantic City, N. J.	66,198	Dec. 31	36.1	43.1	53.6	60.7	24.6
136.	Montgomery, Ala.	66,079	June 30					
137.	Newton, Mass.	65,276	Dec. 31	24.2c	25.8c	29.5c	32.1c	7.9
138.	Covington, Ky.	65,252	Dec. 31	4.1	6.0	9.5	14.8	10.7
139.	Pontiac, Mich.	64,928	Dec. 31	21.8	34.4	40.9	48.2	26.4
140.	Hammond, Ind.	64,560	Dec. 31	10.8	17.8	32.2	26.2	15.4
141.	Topeka, Kansas	64,120	Dec. 31					
142.	Oak Park, Illinois	63,982	Dec. 31	24.4e	31.0e	42.0e	40.0e	15.6
143.	Brockton, Mass.	63,797	Nov. 30	31.2c	35.1c	43.1c	45.2c	14.0
144.	Evanston, Illinois	63,338	Dec. 31	16.8e	27.9e	42.5e	39.5e	22.7
145.	Passaic, New Jersey	62,959	Dec. 31	30.8	37.4	43.1	46.9	16.1
146.	Terre Haute, Ind.	62,810	Dec. 31	6.6	11.1	25.1	16.1	9.5
147.	Glendale, Calif.	62,736	June 30	3.7	7.6	14.6	14.6	10.9
148.	Charleston, S. C.	62,265	Dec. 31	20.7	26.8	27.0		
149.	Wheeling, W. Va.	61,659	June 30					
150.	Mount Vernon, N. Y.	61,499	Dec. 31	11.2	14.0	22.3	30.4	19.2
151.	Davenport, Iowa	60,751	Mar. 31	0.7	0.7	5.2	7.4	6.7
152.	Charleston, W. Va.	60,408	June 30		6.2	13.9	12.8	
153.	Augusta, Ga.	60,342	Dec. 31	5.5	8.0	10.3		
154.	Lancaster, Penna.	59,949	Jan.	8.7	9.9	16.2	22.5	13.8
155.	Medford, Mass.	59,714	Dec. 31	35.3c	39.9c	47.3c	48.9c	13.6
156.	Hoboken, N. J.	59,261	Dec. 31	19.9	24.2	32.9	41.0	21.1
157.	Chester, Penna.	59,164	Jan.	15.6	20.8	28.8	35.6	20.0
158.	Union City, N. J.	58,659	Dec. 31	35.8	39.1	44.8	50.0f	14.2
159.	Malden, Mass.	58,036	Dec. 31	35.6c	36.2c	42.5c	43.3c	7.7
160.	Madison, Wisconsin	57,899	Dec. 31	8.1	16.4	28.0	47.0q	
161.	Bethlehem, Penna.	57,892	Jan.	13.8	17.4	25.6	36.8 [0]	
162.	Beaumont, Texas	57,732	June 30	9.2	12.2	22.0	33.5	24.3
163.	San Jose, Calif.	57,651	Nov. 30	.5	1.5	2.4	5.7	5.2
164.	Springfield, Mo.	57,527	June 30	11.0	11.6	14.1	15.3	4.3
165.	Decatur, Ill.	57,510	Apr. 30	47.4p	51.9p	75.0p	54.5p	7.1
166.	Irvington, N. J.	56,733	Dec. 31	29.8	32.6	35.6	40.6	10.8
167.	Holyoke, Mass.	56,537	Nov. 30	24.0c	24.0c	32.0c	38.5c	14.5
168.	Hamtramck, Mich.	56,268	June 30	19.2	25.3	31.4	69.0	49.8
169.	Cedar Rapids, Iowa	56,097	Mar. 31	0.	0.7	4.5	16.7	16.7
170.	York, Penna.	55,254	Dec. 31	7.9	9.3	15.9	19.2	11.3
171.	Jackson, Mich.	55,187	June 30	7.0	11.	17.6	30.1	23.1
172.	Kalamazoo, Mich.	54,786	Dec. 31	5.7	9.2	17.0	25.0	19.3
173.	East Chicago, Ind.	54,784	Dec. 31	13.0	29.0	34.0		
174.	McKeesport, Penna.	54,632	Jan.	10.0	12.7	26.7	34.3	24.3
175.	New Rochelle, N. Y.	54,000	Dec. 31	16.4	18.7	27.3	29.8f	13.4
176.	Macon, Ga.	53,829	Dec. 31	26.4	33.8	36.3		
177.	Greensboro, N. C.	53,569	June 30	15.2	20.1	19.1	23.3	8.1
178.	Austin, Texas	53,120	Dec. 31	4.4	9.9	19.8	22.2	17.8
179.	Highland Park, Mich.	52,959	June 30	12.5	19.5	21.6	27.8	15.3
180.	Galveston, Texas	52,938	June 30	9.0	10.0	12.5	15.5	6.5
181.	Waco, Texas	52,848	Sept. 30	9.6	12.9	16.9	22.6	13.0
182.	Fresno, Calif.	52,513	June 30	2.1	2.7	5.0	7.8	5.7
183.	Hamilton, Ohio	52,176	Dec. 31	5.2b	9.4b	16.7b	28.4b	
184.	Durham, N. C.	52,037	May 31	7.0	10.1	15.4	18.9	11.9
185.	Columbia, S. Car.	51,581	Dec. 31	27.	26.1	29.6	35.6	8.6
186.	Cleveland Hts., Ohio	50,945	Dec. 31	25.2b	12.8b	41.7b	72.0b	
187.	Port Arthur, Texas	50,902	Dec. 31					
188.	Dearborn, Mich.	50,358	June 30	7.1	11.2	15.4	19.4	12.3
189.	Kenosha, Wis.	50,262	Dec. 31		4.2	13.7	25.0	
190.	Asheville, N. C.	50,193	June 30		30.2	18.5	40.7	
191.	Pueblo, Colo.	50,096	Dec. 31	5.7	9.7	12.6	9.8	4.1

See next page for footnotes.

a. It is to be noted that these figures do not show percentages of increase, but are rather the differences between the percentages for 1930 and 1933.

b. Figures for this city, and most other Ohio cities, show the ratio of all delinquent taxes to the year's levy. They indicate delinquency on a cumulative basis, therefore, rather than the delinquency for each year. For this reason they are not comparable with figures for cities of other states. In the instance of several Ohio cities, moreover, figures for the close of 1933 are not yet available. This is due to the fact that the counties act as collection agencies, make periodic settlements with the cities, and, because of various delays, have not as yet made full settlement.

c. The figures shown for Massachusetts cities are useful primarily in indicating trends. They tend to underestimate the ability of these cities to collect taxes. Taxes become collectible late in the year, with delinquency dates usually in October or November. Thus end-of-the-fiscal-year delinquency is always high, but a major portion of the taxes outstanding is usually collected a few months thereafter. For example, Boston's 1932 delinquency of 26.2 per cent had been reduced to 13.7 per cent on September 20, 1933, and Worcester's 1932 delinquency of 42.2 per cent had been reduced to 0.96 per cent on January 2, 1934.

d. Milwaukee percentages are somewhat misleading both as to amount of delinquency and as to trend. While Milwaukee has been severely embarrassed by a tax strike of major proportions, allowance should be made for the provision whereby payment may be deferred without penalty for six months. For example, the 66 per cent delinquency shown as of the close of the 1933 tax year had been reduced to 39.2 per cent on October 1, 1933.

e. Percentages for Chicago and other cities in Cook County are for the levies of 1928, 1929, 1930 and 1931. The 1932 levy is not yet in collection.

f. Preliminary figures or partially estimated.

g. After allowance for 10 per cent delinquency.

h. Tax year from July to July.

i. After allowance for 5 per cent delinquency.

j. Delinquency abnormally high, due to taxpayers' litigation.

k. Complete settlement by county, which collects city taxes, not effected till after the close of fiscal year.

l. As of December 16, 1933. End-of-year figure will be slightly lower.

m. 1930-32 figures before tax sale, 1933 after tax sale, due to change in collection methods.

n. Reported collection figures include current and delinquent collections.

o. Percentage uncollected as of December 1, 1933.

p. Figures not comparable, due to varying overlap of fiscal year and tax collection periods.

q. Not comparable, due to delay in collections.

THE FEDERAL GOVERNMENT RECOGNIZES THE CITY

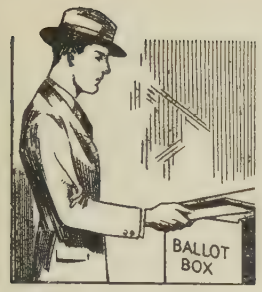
(Continued from Page 109)

Important changes of this sort must and will be made. But they will not be enough.

The city of the next generation will find itself woven more and more closely into the web of our social and economic development. The elimination of waste and graft and spoils is a means—an important and indispensable means, it is true—to an end; and that end is a richer and fuller life for the people who make up the community. The ideal city government will not be a bootleggers' government; nor will it be a bankers' government. The ideal government will be directed toward broad social purposes in the light of modern and emerging ways of life. The city may well concern itself with housing, with recreation, with leisure time, with education, with human welfare broadly conceived.

Cities like nations are not built upon selfish economic interests alone. They rise upon the ruins of lives devoted to the greater cause. They are built by a great community of effort nobly directed toward a common end, by the silent daily offerings of many unknown men and women whose efforts will never be rewarded except in the triumph of the city's cause.

If the nation reaches out a friendly hand to the city, it must find a willingness to go along on the roads that lead away from privilege and exploitation and up to higher levels and finer ways of life. The city too must be willing to say that there are greater goods than gold; that human welfare is greater than human wealth; or better yet, that real wealth is the priceless possession of human welfare.



PROPORTIONAL REPRESENTATION

EDITED BY GEORGE H. HALLETT, JR.

Continuing the Proportional Representation Review

Proportional representation ("P. R.") is a method of electing representative bodies which assures any group of voters the same share of the members elected that it has of the votes cast. It is designed to guarantee majority rule and minority representation. In its best form (the "Hare system") it makes primaries unnecessary and keeps scattering votes from being wasted by means of a preferential ballot. It thus makes impossible the domination of organized political minorities.

Charles Taft on P. R.—Another department of the National Municipal Review last month contained a review of Charles P. Taft's new book on "City Management: The Cincinnati Experiment." Readers of this department will be particularly interested in Chapter Seven of this remarkable work, which is devoted to "Proportional Representation."

The chapter starts with the intriguing footnote: "If the reader wants to avoid rather interesting technicalities, let him skip this chapter. But he'll miss something good, if I do say it as shouldn't." Certainly no student of P. R. should skip this chapter, if he reads nothing else.

Mr. Taft writes from an intimate knowledge of Cincinnati's political history. The son of the late president and chief justice could scarcely escape an interest in affairs governmental from his earliest years, and more recently, as campaigner for the new charter in 1924, as county prosecutor in 1927 and 1928, and now as chairman of the men's division of the City Charter Committee, he has played a large part in the regeneration of America's best governed large city. Here is the way he sums up his observation of eight years of proportional representation:

"In 1924 I thought proportional representation a harmless element in the new charter for Cincinnati. There is hardly a supporter of the City Charter Committee today who does not feel that proportional representation is the most important single element in the success of good government in the city and must be preserved at all costs."

*

Calgary's Seventeenth P. R. Election.—On November 22, 1933, the city of Calgary, Alberta, held its seventeenth election of aldermen (members of the city council) by the Hare system of P. R. Part of the council is renewed each year for a two-year term.

Calgary has two municipal parties, a Civic Government Association and a Labor Party. In addition to the nominees of these two organizations there are always a number of candidates who run independently. The fairness of P. R. is well illustrated by the representation it has given to these three groups in the last two elections:

	First-Choice Votes	Members Elected	Members in Proportion to First-Choice Votes
	1932		
C. G. A.	5,606	2	2.3
Labor	5,206	2	2.1
Independents	6,307	3	2.6
	1933		
C. G. A.	10,489	3	2.7
Labor	5,288	1	1.4
Independents	7,223	2	1.9

For the information on which these tables are based we are indebted to City Clerk J.

M. Miller, who has conducted the city and provincial P. R. counts in Calgary for many years with the utmost efficiency. The count is carried out the night of the election and final results are regularly available at breakfast time the next morning.

*

New South Wales Legislative Council.[1]— In November and December the upper house of the legislature of New South Wales was elected by proportional representation for the first time. Formerly members of this house, known as the Legislative Council, were appointed without any definite limit to their number and wholesale appointments by a recent ministry to gain control led to demands for complete reorganization. The new council will consist of 60 members, elected by the Hare system of P. R. by the members of the two houses of the legislature voting together.

Since the lower house, the Legislative Assembly, is not elected by P. R., this scheme cannot make the council accurately representative of the people but merely of their somewhat distorted representation. Yet it is a significant espousal of the proportional principle, especially since P. R. was abolished by a partisan legislative vote a few years ago for the popular elections of the lower house.

The first elections were held in four separate sessions, at intervals of two weeks. At each vote fifteen members were elected, the first set for twelve years, the second for nine, the third for six, and the fourth for three. No less than 126 candidates were placed in nomination, most but not all of them included among the 208 members of the legislature who constituted the electorate. A complicated set of rules was used, in order to eliminate the last vestige of chance, and is reported to have worked very smoothly.

We do not have the results of the fourth balloting at this writing. At each of the first three the outcome was the election of nine members of the Nationalist Government and six of the Labor and independent opposition. This corresponded exactly to the division of first choices on the first ballot, 118 for government candidates, 76 for the opposition.

The different elements within each of the main groups were fairly represented also. At the first election the nine government seats were divided between the United Australia Party and the Country Party in the ratio of six to three, and the opposition seats went four to the State Labor Party of Ex-Premier Lang, one to the Federal Labor Party, and one to an independent of Labor leanings.

While each party received just its rightful share, plans of party organizers went badly astray in the choice of the personnel. The State Labor Party made a particular effort to work everything out beforehand, telling each of its supporters just how he should vote. But the ballot was secret and only two of those put on the slate for election were among the four members of the party actually chosen. On the Nationalist side a high party official who was expected by some to come in first because of his position was actually defeated. Some of the ballots even crossed party lines in their expression of preferences.

Mr. Bruxner, leader of the state Country Party, commented on the result of this election as follows: "The final count shows that machine politics received a severe shock, and the way has been opened for wide representation. It is evident that after the final ballot the new house will, in the main, be composed of men who can set a proper standard."

And the *Sydney Morning Herald* of November 7, 1933, after referring to the discomfiture of certain political strategists, said editorially: "Meanwhile those unaffected with the virus of this particular malice will appreciate the very satisfactory result of the ballot in the great majority of those so far elected, and be disposed to encourage the Government and the bulk of Parliamentarians to pursue the sound lines of choice on which they have begun."

*

The Limited Vote in Spain.— In view of the recent events which have focused public attention on affairs in Spain and of the original intention of the Spanish Government to inaugurate a thorough-going system of proportional representation, as reported in this department for September 1932, it may be well to give some attention to the rather unsatisfactory system of minority representation actually adopted. The following account was sent to us on November 29, 1933, by John H. Humphreys, secretary of the P. R. Society of Great Britain:

"Somewhat conflicting accounts have been

[1]For the information in this article we are indebted to Mr. A. G. Huie of Sydney and Miss Alice Henry, recently of Santa Barbara, now of Melbourne.

given with regard to the method under which Spain is electing its new Parliament. The system has been described as a complicated system of proportional representation. In actual fact, it is neither proportional representation, nor is it particularly complicated. The constituencies are the provinces (corresponding in size and importance to English counties). Provincial capitals, when large, form separate constituencies. Each constituency returns a number of members in proportion to its population.

"How are the votes recorded? In England, from 1867 to 1885, there were a number of constituencies, boroughs and counties, returning three members to Parliament. In these constituencies, although there were three members to be elected, each voter might vote only for two candidates. The system was known as the "limited" vote. This is precisely the system in operation in Spain. The number of votes permitted depends on the total number of members to be elected. In a three-member constituency, two votes are permitted, as previously in England. In a seven-member constituency, five votes are permitted. In Madrid, which elects seventeen members, thirteen votes are permitted.

"In one respect the use of the limited vote in Spain differs from the English practice. Unless one at least of the candidates is supported by forty per cent of the voters taking part, the election is void, and a second ballot takes place.[2] There are many parties in Spain —the result, not of any electoral system, but of the history and the national temperament of the people—and consequently the required forty per cent was not obtained in the majority of constituencies, and second ballots take place on Sunday, 3rd December.

"These second ballots open up a wide field for manoeuvre, which may be illustrated from the example of Madrid. There were five main parties at the first ballot, each of which nominated thirteen candidates only, although there were seventeen deputies to be elected. The average numbers of voters supporting the main parties were:

Party	*Voters*
Socialist	142,000
Right	133,000
Radical	66,000
Left	22,000
Communist	13,000

"The Socialists were just short of the required forty per cent. A few thousand additional votes would have entitled them to elect their entire list of thirteen. The situation now is that if at the second ballot the Socialists and Radicals combine, they will command a majority and can elect a joint list of, say, eight Socialists and five Radicals. If, on the other hand, the non-Socialist parties combine, they can also command a majority and thereby gain between them thirteen seats, leaving to the Socialists, as the next highest group, a representation of four only.

"The difference between thirteen seats and four seats is very considerable, and if the Socialists, with the chief prize almost within their grasp, are reduced to four, it can well be understood that angry feeling may result. This method of election is clearly productive of great changes and great uncertainty in representation. It provides no assurance of a representative parliament."

*

Private Elections under P. R.— The Pennsylvania State Education Association used P. R. for the thirteenth successive year at its convention in Philadelphia during the Christmas holidays. The Hare system was used for its committees on legislation, resolutions, and teacher welfare, and delegates to the next convention of the National Education Association and also (as a system of majority preferential voting) for its president, second vice-president, member of National Council of Education, and next convention city.

In December the faculty of Reed College, Portland, Oregon, used P. R. for the elections of its council and welfare committee. The rules adopted were those used for elections of the Irish Free State Senate by the Dail Eireann, which incorporate certain technical refinements of the usual P. R. procedure in English-speaking countries.

Another recent use of P. R. was for the election of two directors of Consumers' Research, Inc.

[2]We learn from the International Information service of the Labor and Socialist International, Zürich, that there are certain other limitations also. No candidate can be elected at the first elections, unless voted for by at least 20 per cent of the voters and no candidate can participate in the second elections unless voted for by at least 8 per cent.

P. R. for Pennsylvania Municipalities[3]

BY HON. A. J. WHITE HUTTON

Republican Floor Leader of the Pennsylvania House of Representatives
and Professor of Law at Dickinson College

As to the merits of the doctrine of proportional representation, I am convinced from a study of the matter and the reports emanating from various sections of the country where the experiment has been made that it is sound in principle and might well be applied to some of our Pennsylvania cities, particularly those of the third class.

In the larger cities constituting those of the first and second classes a careful study should first be made as to the powers of the executive, for as has well been observed: "A mayor with great powers, not responsible to the council, would often thwart that body and perhaps discredit it no matter how truly representative it might be. And the election of such a mayor might often overshadow that of the council and reduce the benefits of even the best system of electing it."[4]

The principle is well adapted to our system of boroughs in Pennsylvania, and the McElwee bill, as offered in the recent session of 1933, has great merit and would, in my judgment, not only have a marked tendency to improve the quality of representative borough government but would likewise in all probability have the effect of stimulating a healthy interest in the general subject of representation and the elective means for accomplishing the same.

Early Advocates of Minority Representation

It is gratifying to a Pennsylvanian to know that the earliest plea for either minority or proportional representation in the United States is found in the proposal of Thomas Earle to the constitutional convention of Pennsylvania in 1837. At this time Mr. Earle advocated the limited vote for the choice of election inspectors in each voting precinct. Subsequently, the suggestion was taken up by the general assembly in the Act of 1839 which still constitutes our law giving to the minority party representation on the election board in the matter of the inspectors. The same principle has been applied likewise in Pennsylvania in the election of our jury commissioners.

Furthermore, it should not be overlooked that another pioneer in the cause of minority and proportional representation was Senator Charles R. Buckalew, who represented the Commonwealth of Pennsylvania in the United States Senate from 1863 to 1869. Senator Buckalew also advocated a constitutional amendment proposed in 1877 in the national House of Representatives by Levi Maish of Pennsylvania, providing that the electoral votes for president should be apportioned among the several candidates voted for in the state in the exact proportion to the number of votes which might be cast directly for each presidential candidate.

Representative Democracy

As has already been stated, the principle of proportional representation is eminently sound and in the words of a noted French statesman discussing the matter: "If the people were deliberating, of course, the decision ought to be according to the majority; but when the people are choosing representatives, it is fair that the body elected, the expression of the country, should be as exact a reflection of it as possible and that all parties should have their place."[5]

Our theory of government is that of a representative democracy and according to the terms of the Declaration of Independence all just powers of government rest upon the consent of the governed.

Accordingly, it follows as a necessary corollary that all distinct groups or parties should have some opportunity for representation in proportion to their importance to the entire social unit and it is earnestly believed that the adoption of the principle of proportional representation marks an advanced step in the century of progress toward true representative government, which is the goal of those who love their fellow-men.

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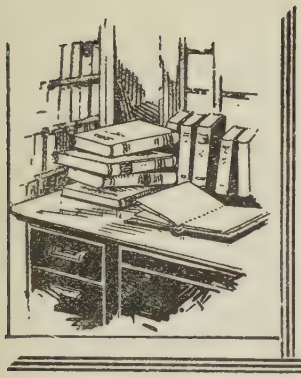
[3]From an address presented to the annual dinner of the Proportional Representation League, Atlantic City, November 11, 1933.

[4]This, of course, is an argument for coupling the city manager plan with proportional representation, as was done in the optional bills presented to the last legislature for Philadelphia and Pittsburgh. The bills presented for smaller cities and boroughs would have made the manager plan and P. R. optional either separately or in combination.

[5]Raymond Poincaré, speaking for proportional representation in the French Senate, February 20, 1924.



RECENT BOOKS REVIEWED

EDITED BY EDNA TRULL

Public Expenditures, Tax Burdens, and Bonded Debts in Wisconsin and Neighboring States. By George Leland Leffler, Ph.D., Madison, University of Wisconsin, 1933. 110 pp.

The conservative course of Wisconsin's state and local indebtedness is the subject of this admirable survey. The context is replete with debt and cost analysis for Wisconsin, using as its background similar indices for the neighboring states of New York, Michigan, Illinois, Minnesota, Ohio, and Indiana. The broad study, besides including interesting tax, debt service, and similar material, includes also debt trends as measured by fluctuation of the cost of living. Particular attention is given to the dependency of each state on real property taxes as against other income with special comments on the more enviable credit positions of those states which have resorted to other taxes to lighten the present burdens on property holders.

To those who are debt conscious the survey is one of particular interest by reason of the sharp contrast which now exists between pay-as-you-go policies and reckless spending. Wisconsin is included in the former category and it has therefore a debt which is little over one-half of its burden in 1912. Illinois, on the other hand, has increased its debt from $2,000,000 to $195,517,000 in the 1912-1931 period. This is only one of the many interesting comparisons.

The survey likewise deals with the financial policies of the larger municipalities.

The study is not only of interest, but an encouragement to those who reside in Wisconsin. The comparisons are worthy of intensive study by all those interested in debts and debt limitations.

Municipal policies of yesterday, as never before, are being subjected to intense scrutiny by taxpayer and public official alike, and future developments will certainly be based—if there is any reason and planning—on the experience of the sounder present financial structures. Wisconsin is in an enviable position—as is clear when presented in terms of the other six states used in this survey. Professor Leffler, formerly an instructor in the department of economics at the University of Wisconsin, is now in the department of finance at the University of Toledo.

DANA B. SCUDDER

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The Policewoman's Handbook. By Eleonore L. Hutzel. New York, Columbia University Press, 1933. 303 pp. $2.00.

Miss Hutzel, Deputy Commissioner of Police and Director of the Policewomen's Division in Detroit has written this book from her own experience and study, to afford a practical, authoritative and exact source of aid not only to policewomen themselves, but to those whose work brings them in contact with policewomen or their work. Dr. Leonard V. Harrison, of the Bureau of Social Hygiene, in his introductory chapter, shows the need and the purpose of the volume as follows: "The growing realization in recent years that police work is, in certain measure, social work, and that in it there exist problems which can be handled better by women than by men, has lead to the employment of women in many police departments throughout the country. The policewoman's work is highly specialized. To do it well she requires not only good native ability and a general education, but special training: this book aims to assist her in securing that training." The

material presented—all well documented with cases and bibliography and indexed—deals with patrol, inspection, undercover operations, investigating complaints, preparing cases for court, evidence, detention of women and children, and coöperation with other agencies.

*

The Location of Manufactures in the United States, 1899-1929. By Frederic B. Garner, Francis M. Boddy, Alvar J. Nixon. Minneapolis, University of Minnesota Press, 1933. 102 pp. $1.00.

The Employment Stabilization Research Institute of the University of Minnesota has to its credit a growing list of valuable studies. This most recent one utilizes the statistical material available through the biennial United States Census of Manufactures for an analysis of the location of manufactures such as would be important groundwork for any regional or national economic planning. The present location of manufactures is explained, as is the trend during the past thirty years. Detailed presentation of the food products industries, the textile and clothing industries—general textiles, cotton, silk and rayon and wool—and the iron and steel industries—general, electrical machinery and foundry and machine shop—are given.

Although the authors have made no attempt to analyze completely all the causes underlying shifts and developments, they have touched on certain basic factors which apparently help to determine the location of a given type of industry. This is an interesting complement to the direct presentation of informative factual data. The volume is generously supplied with tables and maps.

*

Toledo—Our Community. By H. T. Shenefield and J. Otis Garber. Philadelphia, John C. Winston Company, 1932. 220 pp.

This book was written primarily for use in the schools but every citizen of Toledo should find it interesting reading and those throughout the country who are concerned with the important subject of civic education should find it valuable and suggestive. The main divisions of the book: "Social and Economic Problems," "Political Life and Governmental Activities," and "City Planning," indicate its scope. The chapters dealing with governmental activities form the most important section of the book and are particularly informative. Organization charts are shown for each of the departments and the significance of each department's activity is set forth at some length. A section describing how street improvements are made gives civics students information which they should find very valuable when they become property owners. The emphasis on city planning, which is the subject of one of the three main sections of the book, is undoubtedly wise. Perhaps there is no phase of government more likely to capture the imagination and to arouse civic idealism.

Both authors taught political science in the University of Toledo, and both have had intimate contact with the city government and the community, Mr. Garber serving as civic affairs secretary of the Chamber of Commerce, and Mr. Shenefield as secretary of the Commission of Publicity and Efficiency, the governmental research agency supported by the city.

ROBERT M. PAIGE

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Street Traffic Bibliography. By the Erskine Bureau for Street Traffic Research, Harvard University, Cambridge, 1933. 223 pp. mimeo.

A selected and annotated bibliography of the literature of street traffic control and related subjects, 1920-1933, is indeed welcome. This comprehensive list of references is arranged to be of maximum value to those with a practical interest in street traffic control and planning, but it gives attention also to such related problems as planning and taxation. It must be an invaluable volume to all those interested in the broad field of local government administration.

*

Fire Prevention Practices in New York State Municipalities. By De Wayne E. Nolting. Albany, New York State Conference of Mayors and Other Municipal Officials, Bureau of Training and Research, 1933. 72 pp. $1.00.

Mr. Nolting's study, undertaken under the joint auspices of the publishing organization and the Syracuse School of Citizenship and Public Affairs, presents information concerning the fire prevention practices of fire departments in the cities and first class villages of New York State, analyzes the practices as to thoroughness and effectiveness and suggests methods for improving procedure to the end of reducing fire losses. His recommendations

include specific suggestions for the organization, personnel, and functions of fire prevention bureaus, adequate state arson laws, and comprehensive local fire prevention codes.

*

The Administration of Municipal Motor Equipment in New York State. By Alwyn A. Greeley. Albany, New York State Conference of Mayors and Other Municipal Officials, Bureau of Training and Research, 1933. 63 pp. $1.00.

The scant literature on the subject of municipal motor equipment is, with this study, increased by an analysis of the practice in the cities and larger villages of New York State. Like the other studies made by graduate students of Syracuse University under the auspices of the School of Citizenship and the New York Conference of Mayors, this one is based on questionnaire returns and personal investigation. The author describes the agencies of control, methods of control including particularly accounting, purchasing, the central garage and transportation bureau. Some comparison is made with private practice. One-third of the volume is an appendix containing suggested forms. Mr. Greeley finds the nearest approach to central control of motor equipment among the municipalities of the state in the city of Rochester, but even that incomplete.

*

Methods of Financing State Bonds for a Public Works Program. By the Taxpayers' Research League of Delaware. Wilmington, Taxpayers' Research League, 1933. 11 pp. mimeo.

In this report the League has analyzed for the Governor of Delaware the possible methods of financing a public works program, the costs of the several types of bonds which might be used and the ways in which those costs might be met by the state. It is unfortunate that more borrowing units do not thus carefully weigh the costs of various types of financing and their resources for meeting them.

*

The Allocation of Corporate Income for the Purpose of State Taxation. By Robert S. Ford. Albany, State Tax Commission, 1933. 130 pp.

For its sixth special report the New York State Tax Commission chose a field of growing complication—the allocation of corporate income for the purpose of state taxation. Dr. Robert S. Ford of the Department of Economics of Columbia University was selected to make the study, the primary purpose of which was an analysis of the difficulties resulting from the varied practices in use and the suggestion of possible improvements. The author divides his study into four main sections: the legal and economic foundations of the allocation problem, the present varied practices in the United States, evaluation of these practices, and proposals toward uniformity.

*

City Problems of 1933. Edited by Paul V. Betters. Chicago, The United States Conference of Mayors, 1933. 111 pp. $2.50

The sub-title of this volume indicates its content—The Annual Proceedings of the United States Conference of Mayors. The meeting at Chicago in September 1933 concerned itself principally with municipal finance, municipal coöperation and unemployment relief and public works. Under finance, speeches are reported on new revenues, delinquent property taxes, municipal credit, the default problem and Detroit's experience, by Simeon E. Leland, Philip H. Cornick, Mayor T. Semmes Walmsley of New Orleans, Congressman J. Mark Wilcox of Florida, and Acting Mayor John W. Smith of Detroit. Municipal coöperation, including city-county consolidation, was discussed by Mayor Angelo J. Rossi of San Francisco and Mayor Daniel W. Hoan of Milwaukee. The relation of cities to relief and public works was discussed by Harry L. Hopkins and Harold L. Ickes.

*

Survey and Report on the Distribution and Maintenance Division of the Providence Water Department, Providence. Providence Governmental Research Bureau, 1933. 29 pp. mimeo.

At the request of the Commissioner of Public Works, under whose jurisdiction the Providence Water Department comes, the Providence Bureau undertook the study which resulted in this report. A number of suggestions, some of major importance, are offered. Among the most far reaching are the recommendations that the accounting system be revised to follow the plan of the State of Massachusetts or the American Water Works Association, that unit cost accounting be installed, and that purchasing practice be improved, especially by the standardization of needed materials.

GOVERNMENTAL RESEARCH ASSOCIATION NOTES

EDITED BY ROBERT M. PAIGE *Secretary-Treasurer, G. R. A.*

Governmental Research Association.—One of the important projects of the Association during the past year was the compilation of information with respect to the education, training, experience, and fields of special competence of each member of the association. Approximately one-half of the members of the association submitted personnel records in time for them to be summarized and included in the first "Annotated Roster of the GRA", completed just prior to the November convention. This roster has proved useful in helping members become better acquainted with one another. It should also be useful in the selection of specialists for consulting work and in the selection of personnel for staff positions. A copy of the roster is available without charge to members of the association. Additional copies may be obtained for one dollar.

*

Providence Governmental Research Bureau.—A survey of the Providence police department has recently been completed. This survey was made with the advice and assistance of Bruce Smith of the Institute of Public Administration. The survey points out that, judged by prevailing standards of the United States as reflected by reports of the United States Bureau of Investigations, crime rates in Providence are exceptionally low. It also appears that while crime rates throughout the New England area are somewhat lower than those elsewhere, Providence compares well with other New England cities. The report contains an analysis of the expenditures of the department during the last five years. Although Providence has an efficient police department, some recommendations for further improvement are made. The redistribution of the force and the closing of neighborhood police stations is believed to be desirable as soon as a system of radio-equipped patrol cars is adopted. It is also suggested that the assignment of patrolmen to special details be sharply curtailed. The Providence police department is controlled by a board of three commissioners appointed by the governor of Rhode Island for six-year overlapping terms.

*

Bureau of Public Administration; League of Virginia Municipalities.—The recently published report on municipal budgeting outlines in complete detail the procedure which should be followed by a small city in making up a budget document. Forms are suggested for the general budget summary and for the departmental schedules. In connection with the debt schedule the report sets forth the method of determining sinking fund requirements and checking the rate of interest earned by the sinking fund over a period of years. The bureau, which is maintained jointly by the League of Municipalities and the University of Virginia, is prepared to make a sinking fund analysis for any city in this state.

*

Cincinnati Municipal Reference Bureau.—In November the Bureau prepared and distributed a questionnaire on municipal purchasing methods and procedures to the forty-one cities in the United States having a population of two hundred thousand or more. The bureau received replies from nineteen of these cities and has published in mimeographed form a complete analysis of the data

collected. Of these nineteen cities, only New York did not have a central purchasing agent. The report shows the status of the purchasing agent, that is, to whom he is directly responsible, the number of employes in each purchasing department, the salary schedule, and other valuable information with respect to the use of purchasing agreements and commodity specifications and the methods used in procuring, handling, and awarding bids.

The Municipal Reference Bureau is maintained jointly by the city government and the University of Cincinnati—the municipally-supported university.

*

Boston Municipal Research Bureau.—The Boston Charter Revision Commission, recently appointed by the state legislature, is now collecting information and advice as to needed changes in the Boston city charter and in the statutes affecting the city government. The Municipal Research Bureau has submitted to this body a memorandum which outlines in some detail the changes which the bureau believes to be necessary. These needed changes may be summarized as follows:

1. Improvement in the budget procedure which would result in the formulation of an all-inclusive financial plan before the opening of each year.
2. Improvement in the accounting system in order to provide better financial control, more accurate information, and an accrual rather than a cash system of accounting.
3. Extension of the authority of the state director of accounts, who now can make investigations and audits of cities other than Boston, to permit him to make audits of Boston also.
4. Revision of the nine separate school tax limits to simplify the conflicting and confusing situation existing at the present time.
5. Requirement that loans must be approved by two-thirds of the city council.
6. Authorization for the public inspection of accounting records.
7. Requirement that reasons for awarding contracts to other than the lowest bidder be made public.
8. Permission for the mayor to succeed himself.
9. Provision for a small city council elected at large by proportional representation.
10. Reduction in the number of city departments from thirty-seven to twenty.
11. Placing of the transit department under provisions of the city charter.
12. Payment of salaries to all three members of the Boston Finance Commission.

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Cincinnati Bureau of Governmental Research.—The bureau has completed an analysis of the 1932 tax duplicate and an analysis of the delinquent taxes in relation to assessed valuations. This report discloses many interesting facts and would be a useful model for similar studies in other cities where tax delinquency is a major problem. As would be expected, most of the parcels which are delinquent are unimproved, and improved parcels which are delinquent show a relatively high land valuation and a relatively low building valuation, as compared with the average improved parcel. The largest amount of delinquent taxes are due on properties whose valuation lies between $3,000 and $10,000.

*

Philadelphia Bureau of Municipal Research.—Approximately forty-three per cent of Philadelphia water services are at present metered. This, however, includes all of the large industrial services. The installation of meters for the remaining fifty-seven per cent of the services is a debatable matter and the bureau has completed investigations which throw light upon the results which could be expected if this policy were adopted. Briefly, the conclusions of the bureau are: approximately eighteen billion gallons a year could be saved by metering; in 1927, complete metering would have reduced the per capita water consumption in Philadelphia from 180 gallons per day to 155 gallons per day, a reduction of about fourteen per cent; in 1932, it would have reduced the per capita consumption from 154 gallons per day to 131 gallons, a reduction of about fifteen per cent; the saving in water which would result from complete metering would make possible a saving in operation and maintenance of the water works of about $180,000 per year; in addition there would be savings which would arise from the fact that less plant capacity for pumping and treatment would

be needed, and smaller demands would be made on the source of water supply. Economy is, of course, a compelling argument for complete metering, but the fact that complete metering would permit a much fairer scheme of rates is also a factor which weighs heavily in favor of this system.

*

Elmira Association of Commerce.—During the last three months of 1933, the Association's Committee on City Government and Taxation experimented with and attempted to discover the potential effectiveness of a bureau of municipal research in this community. In this trial period studies were made of sewage disposal to determine whether the proposal that the city spend about one million dollars on a sewage disposal plant was sound, firemen's pensions to determine whether the volunteer fund should be continued as a separate unit, Elmira's bonded indebtedness, and the cost of operating the school system. These studies have proved the effectiveness of the research approach to the governmental problems of Elmira, and the association may decide to continue the "bureau" during the coming year. The secretary of the association, Oscar Monrad, has been assisted in the research work carried on under the auspices of the Committee on City Government and Taxation, by Richard H. Evertts, B.S., Wharton School of Finance, 1929.

*

Detroit Bureau of Governmental Research.—In a recent bulletin analyzing the financial condition of the school system, the bureau comments upon a proposal now being made in this city for preventing closure of the schools in April. This proposal is that the state subsidy to education be increased substantially by using revenue from the sales of liquor taxes. This procedure, the bureau points out, would probably mean that Detroiters would contribute more to the support of education throughout the state than would be received by the Detroit schools from the state government, and it is therefore only fair that Detroiters, through their representation in the state government, should have something to say about how their money is spent. They should demand, for example, that increased grants to schools be accompanied by a complete reorganization of the 5,300 rural school districts providing for larger units and a county superintendent of schools with real authority.

Kentucky Tax Reduction Association.—The association is proposing a thorough-going revision of the county government law of this state and has presented its proposals to the general assembly which is now in session. It is suggesting that the present county budget law be changed to provide for standard budget and report forms, examination by the state department of taxation and revenue of proposed county budgets, and the filing with the department of budgets adopted; publication of proposed and adopted budgets in newspapers; a uniform fiscal year and changes in the fiscal calendar to make possible operation on a cash basis; and the appointment of a budget officer in each county. To install the improved budgetary procedure, the association is asking the assembly to make an appropriation for an installation staff. Other proposals of the association call for the repeal of mandatory salary laws except for elected officials, abolition of the fee system of compensation for county officials, transfer of the duty of making tax collections from the sheriff and county court clerk to the county treasurer, assessment of taxes on a county unit plan, and the appointment of assessors by the state tax commission.

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Woonsocket Taxpayers Association.—A report has recently been issued on the city's water supply system. This report points to the conclusion that as the present system is not being used to capacity there is no need for the city to take advantage of PWA assistance in financing improvements and extensions.

*

Rochester Bureau of Municipal Research.—Extensive changes in the government of Monroe County are under way. In October the bureau issued the first of a series of eight reports dealing with the government of Monroe County. This report dealt with the organization, powers, and duties of the board of supervisors. Recommended changes included a smaller board, removal of routine fiscal matters from the board's consideration, and the creation of the office of auditor to be filled by appointment by the board. These changes would reduce the county pay-roll about twenty thousand dollars and make possible other very large savings through better fiscal control.

The county board has approved the recom-

mendation for an appointive auditor with appropriate powers and the recommendation that certain county officials be appointed rather than elected. The legislation to accomplish these changes has been drafted and will be introduced into the state legislature this year. The report of the bureau brought a great deal of favorable newspaper publicity and early this year a commission was appointed by the county board to study the entire problem of county reorganization. This commission will undoubtedly draw heavily upon the informational and advisory resources of the bureau. The bureau is continuing its survey of the county and has recently studied the county purchasing department.

*

New Jersey State Chamber of Commerce.—The Cost of Government Committee of this organization has undertaken an extensive and intensive study of the fiscal problems of New Jersey's governments—state, county, and city. Under Norman F. Titus, director of research, and Fred Telford, formerly director of the Bureau of Public Personnel Administration, a program of research, publicity, and legislation has been planned. A series of bulletins setting forth the per capita costs of city, county, and state government in New Jersey cities and in cities of comparable size throughout the country, was prepared and published during the latter part of 1933. The state government is now being investigated and economy plans for each department formulated.

*

Baltimore Commission on Governmental Efficiency and Economy.—During the past two months the commission has made studies of Baltimore's city planning problems, the pending ordinance to establish a new salary schedule for the classified city service, and the 1934 budget. These reports have not been prepared for distribution, but an analysis of the 1934 budget will soon be issued. This will show a reduction in assessments, a twenty-cent reduction in the tax rate, and in general a "healthy financial condition."

*

Worcester Taxpayers Association.—Several fundamental changes in the city government structure are being advocated. The consolidation of departments, particularly the establishment of a department of public works to include the engineering, street, sewer and water departments, and the creation of the position of purchasing agent are on the association's program for accomplishment during 1934. The association also feels that the present method of selection of officials by city council election should be discarded in favor of appointment by the mayor, subject to council confirmation.

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American Political Science Association.—The Subcommittee on Political Education of the Committee on Policy of the Association has received a grant of funds for the holding of a series of small, informal conferences. Several of these meetings have been held in different parts of the country during the past two years. In November a conference of some twenty persons met in Ann Arbor for discussion of county government and county reorganization. This group was assembled under the joint auspices of the Detroit Bureau of Governmental Research and the University of Michigan.

On November 10 and 11, the Association and Williams College arranged a conference at Williamstown, on the subject "The Desirable Unit of Local Government in New England."

Other small, informal, invitational conferences of this kind will be held during the coming year.

*

Los Angeles County Bureau of Efficiency.—The bureau has recently surveyed the forty-eight judicial townships of the county and discovered that $100,000 a year, or approximately one-fifth of the total outlay of the townships within the county, could be saved by consolidation and reorganization. These townships cover the entire county with the exception of the cities of Long Beach and Los Angeles which have municipal instead of justice of peace courts to handle their minor judicial matters. The forty-eight judicial townships range in area from 0.01 to 907.70 square miles and in population from 3 to 113,-123 people. Each township has an elected justice of peace and constable, and some of the large units have deputies and clerks. The report included a tabulation of the total and the per capita expenditures of each township, a tabulation of the types of cases handled and the number of cases handled by each justice, and a similar tabulation of the work performed by the constables and their deputies. Possible solutions or remedies for the situation are suggested and further study recommended.

Taxation and Government

New York State Conference of Mayors unexpectedly opposes passage of Sumners bill widely endorsed by municipal authorities

EDITED BY WADE S. SMITH

Consultant Service Surveys Filed.—Six municipalities in Westchester County, N. Y., have filed reports made by Dr. Thomas H. Reed, director of the League's Consultant Service, with the county Citizen's Advisory Finance Committee. This is in accordance with conditions laid down resulting from the December 1933 financial crisis precipitated when the municipalities were unable to pay the county its share of taxes collected locally. The municipalities are the cities of Mt. Vernon and Yonkers and the towns of Greenburgh, Mt. Pleasant, Cortland, and Harrison. The sums owed vary from $112,000 for Greenburgh to $1,616,000 for Yonkers.

Floating debt, in addition to that owed the county, is approximately $10,000,000 in Yonkers; $1,803,000 in Mt. Vernon, with an additional $1,600,000 coming due within the next two years; $709,000 in Greenburgh; $186,000 in Mt. Pleasant; $59,000 in Cortland; and $496,000 in Harrison. Though the debts are not large in themselves, tax delinquencies ranging around thirty per cent, except in the case of Cortland, which collected all but fifteen per cent of its levy, extra demands for relief and inability to sell tax anticipation certificates have complicated the problem.

Basically heavy debts previously incurred for improvements are the cause of the present financial difficulties. In several instances debt service amounts to more than half the total budget. In each case the director of the service has recommended a plan whereby the burden of short term debt can be extinguished in from five years in Mt. Vernon to one year in Cortland. Though this will involve increases in tax rates for the time being, it will restore the credit of the municipalities and provide the means for keeping the county in sound financial condition.

The Municipal Consultant Service has also been employed by the Board of Supervisors of Nassau County, N. Y., to make a complete study of that county. The report will cover organization as well as finances.

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Sumners Bill.— The Sumners Bill, at first expected to pass this session of Congress without the bitter opposition which blocked the Wilcox Bill last session, may encounter hard going. The New York State Conference of Mayors and Other Municipal Officials unexpectedly adopted, in December, a resolution condemning the measure, which has, however, been endorsed by the United States Conference of Mayors, the Investment Bankers Association of America, the Municipal Finance Conference (sponsored last summer in Chicago by the Public Administration Clearing House, Municipal Finance Officers' Association, American Municipal Association, United States Conference of Mayors, and the University of Chicago), the National Conference on Government, and the National Municipal League. Hearings on the bill were scheduled to begin January 23 before the Senate Judiciary Committee. The bill passed the House in the first session of the present Congress.

It seems quite possible that what opposition as does exist is based upon a misunderstanding of the purposes of the bill and of the acute need for it if hundreds of cities are to avoid default and virtual bankruptcy. The country abounds with examples of the need for such legislation. New York City recently offered holders of about $200,000,000 maturing revenue bills a payment of about 15 per cent

cash and the balance in three-year notes. More than three weeks after these bills matured, the city comptroller stated that holders of $4,500,000 par value had refused to accept the offer, and if they decided to sue on their claims could throw the city into default. West Palm Beach, Fla., had a debt refunding program worked out and declared effective. A dissenting creditor, holding only about two per cent of the outstanding claims, sued independently for payment in full and upset the whole plan. Coral Gables, Fla., negotiated a debt settlement in the summer of 1931, but in spite of the assent of about 90 per cent of the creditors, the plan cannot now be declared operative because of the threat of unfriendly action on the part of non-assenting creditors. Chicago has had to face the problem of minority "hold-out" creditors in its January 1, 1934, refunding operations, while the Detroit Bondholders group has frequently stated that without federal legislation such as the Sumners Bill, the refunding plan for that city could not be carried out.

Especially interesting is the statement made recently by the National Drainage, Levee, and Irrigation Association, which last spring asked for and received an appropriation of $50,000,000 from the R.F.C. to refinance insolvent drainage, levee, and irrigation district debts. As of recent date, something like $14,000,000 had been allocated to many districts where plans (offering a cash settlement of less than one hundred cents on the dollar) had been set up and accepted by a majority of the creditors. But the R.F.C. requires 100 per cent creditor assent to such plans, and in not a single case has it been possible to secure such a percentage and not a single dollar of the fund has actually been released.

As new city administrations turn to the task of adjusting operating budgets and debt service items in a manner which will be unfair to neither taxpayer nor creditor, it becomes more apparent that the Sumners Bill is necessary in many municipalities. Many units not now in default but depending upon debt readjustments to maintain their solvency will be forced into open default unless they can negotiate settlements on a basis requiring less than the 100 per cent creditor-consent now demanded. The Sumners Bill supplies the way out, and ought to be passed as rapidly as possible.

Campaigns Bringing in Back Taxes.—"Pay Your Taxes" campaigns continue to provide an effective weapon against tax delinquency in cities with pressing financial difficulties, according to reports from the National Pay Your Taxes Campaign Committee. Substantial amounts of tax arrears have been collected, enabling the cities to bring anticipated revenue and actual receipts more nearly into line, and the general attitude of taxpayers improved.

In Columbus, Ohio, the Junior Chamber of Commerce recently sponsored a county-wide tax collection campaign. Delinquent taxpayers were urged to pay under the provisions of the Whittemore Act, which allows, upon payment of current taxes, a funding of arrears. Ten per cent of the total is paid each year for five years, and in the sixth year the remaining 50 per cent is paid, at which time all penalties and half the interest charges are waived. Some classes of delinquents were called upon by canvassers; others were contacted by phone and by mail. More than 2,000 delinquent taxpayers signed up under the act, as compared with a total of 600 in the county having the next highest number. The county treasurer reported that payments totalling $4,300,000 had resulted on the tax duplicate of $4,600,000, and a threatened tax strike had been averted.

A campaign in Houston, Texas, was accompanied by enforcement of collections by the city officials and publication of notices of sale. Installment plans were offered to delinquents, and the county and school districts cancelled interest and penalty charges on a plan whereby if payment was made in the first month, 1 per cent of the penalty would be charged, and then 2 per cent added monthly for each month's delay until a maximum penalty of 10 per cent was reached. Some 32 per cent of the delinquent 1931 taxes was secured, and about 20 per cent of the delinquent 1932 taxes. Taxpayers' morale was improved and current collections stimulated.

In Tacoma, Washington, a committee of 100 directed a tax collection campaign, securing nearly $2,000,000 in delinquent taxes. A report of the executive committee said in part:

"When the committee was appointed total uncollected taxes in Pierce County were $7,079,000.45. On the date of this report uncollected taxes are $5,109,663.89 and will

be somewhat less by the last of December. But, where uncollected taxes at the close of each calendar year have been jumping by leaps and bounds since 1929, the ratio of their increase has now been sharply reversed.

"Tax collections from November 1 to December 15, inclusive, 1933, were $811,754.87, or 69 per cent, larger than the collections for the corresponding days of 1932. It is the opinion of your committee that in event a short but aggressive effort be made early in February before the last of the inducing provisions of the 1933 delinquency law expire, a total of more than $1,000,000 additional collections over 1932 can be brought in."

The committee plans to issue a supplementary report in February, when the accounting work in the treasurer's department will have advanced far enough to determine the exact extent of the public fiscal improvement. The committee estimates, conservatively, that some $527,535 in collections are attributable directly to the campaign activities.

In other cities collection campaigns are under way, or are being organized. In Larchmont, N. Y., threats to publish the names of delinquents secured such an increase in payments that publication has been temporarily postponed. In Detroit, Mich., a campaign has been planned to begin January 15 and run through April 10, with $10,000 appropriated by the city to advertise the savings which may be made through prompt payment. Citizens' groups and the city administration in Boston, Mass., are seriously considering a campaign there to clear up part of the $25,000,000 in uncollected taxes. Throughout the country many citizens' councils groups are studying the fiscal condition of their cities, and drives for the collection of taxes are being organized. In Alabama the state council is reported to be investigating ways and means of promoting a statewide campaign in conjunction with the local councils.

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Speaking of lax tax collection methods, the new comptroller of the city of New York has discovered that $28,750,000 of special assessment levies due the city have not even been billed, though the work has been completed and the contractors paid! Some of the projects run as far back as 1926.

*

The recent decision of the United States Supreme Court upholding the Minnesota mortgage moratorium law has given impetus to the consideration of similar legislation elsewhere. It is to be hoped that legislators will not be rushed into including tax lien foreclosures in such moratoriums without considering the already aggravated situation respecting unwise tax collection legislation.

*

Retrenchment, improvement in tax collections under the Skarda Act, and general financial rehabilitation in Chicago are reflected in the improvement of that city's credit in 1933, shown in a reduction of a half per cent on the interest charged for bond issues floated during the year. More tax warrants were redeemed than were issued.

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Secretary of the Treasury Morgenthau's announcement recently of a quota system for federal tax collectors in an effort to secure some $800,000,000 unpaid taxes indicates that municipalities are not the only governmental units with delinquency problems. But the Federal Government doesn't let the tax defaulters get away with it.

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Abolition of the state real estate and personal property tax assessments by Illinois recently is another indication of the tendency of the states to abandon this field in favor of the local governmental units. Connecticut, Michigan, and New York are among the states no longer levying general property taxes for state purposes.

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Suggestions from various sources that the Federal Government buy tax anticipation warrants of needy cities with R.F.C. funds have so far met with a cold reception from Washington. Yet in New Hampshire, where the state maintains a fund for virtually that purpose, all municipalities are operating without undue strain on either taxpayers or city employes.

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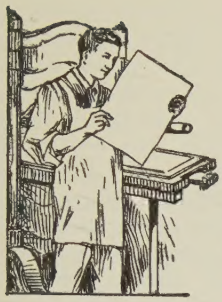
The village of Stratford, Conn., sent letters to some fifteen hundred tax delinquents recently, urging them to make use of a tax-club system similar to the familiar Christmas club plan, in paying off back taxes. Portsmouth, Virginia, and Highland Park, Michigan, are among other cities using the coupon book method of providing for easy payments of taxes.



NOTES AND EVENTS

H. M. OLMSTED

New York Conference of Civic Organizations.—Under the auspices of the National Municipal League, representatives of thirty-three civic organizations of New York City met at the City Club the evening of January 23 and decided to form a loose organization for the consideration of city governmental problems. Richard S. Childs was elected chairman.

Discussion at the meeting was focused on the economy bill upon which a public hearing was to be held the next day at Albany. R. E. McGahen, Director of the Budget, and Joseph D. McGoldrick, Deputy Comptroller, explained the bill, and various organization representatives defended and attacked sections of it.

Judge Samuel Seabury suggested that after consideration of the economy bill, which was an emergency task, the Conference of Civic Organizations might well direct its attention to (1) charter revision, and (2) reorganization of the lower courts.

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Santa Clara County to Vote on New Charter.—Voters of Santa Clara County, California, on February 20, have the opportunity to adopt one of the most modern charters to be proposed under the home rule provisions of the California constitution. Providing for a chief administrative officer to be known as the executive-controller, with definite appointive power and clear responsibility, the charter approaches the principles of the model county manager plan as formulated by the National Municipal League.

The executive-controller, assuming the power of the constitutional auditor, has complete supervision of the fiscal program through the budget, purchasing procedure, accounting, and reporting. However, the creation of an elective personnel commission with power to appoint a personnel director and to establish the rules under which the executive-controller must operate will obviously limit freedom of administration. This elective personnel commission is an acknowledged compromise, and may or may not fulfil the expectations of the freeholders.

A provision which permits the voters to petition for the removal of an appointive officer or employe seems of doubtful wisdom. Upon the filing of such a petition signed by two per cent of the registered voters of the county, the board of supervisors must immediately suspend the officer complained against, and after a hearing either make the suspension permanent, or make prompt reinstatement. It is questionable that the operation of this provision will result in increased efficiency. Rather it is likely to give political groups the opportunity to interfere with administrative experts whose functions are to carry out policies already declared, and not to reflect public opinion.

On the whole, however, the proposed charter represents several important steps in advance of previous charters, and its adoption will result in more efficient and economical government for Santa Clara County.

ROSS RYAN

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National Committee on Municipal Accounting.—Organization of the National Committee on Municipal Accounting, in Chicago on January 6, is the first step to promote standards for municipal accounting on a national scale. Through it the major professional societies of public accountants will

work with groups of public officials on the committee. The teaching profession and citizens' interests are also represented, thus bringing together the primary groups concerned in municipal accounting.

The general committee includes F. H. Elwell, Professor of Accounting, University of Wisconsin—American Association of University Instructors of Accounting; Lloyd Morey, Comptroller, University of Illinois—American Institute of Accountants; L. M. Barnard, Senior Public Accountant, League of Kansas Municipalities—American Municipal Association; George P. Ellis, President, American Society of Certified Public Accountants, Chicago; H. C. Laughlin, City Manager, Kenosha, Wisconsin—International City Managers' Association; Frank J. Flanagan, Finance Committee Staff, City of Chicago—Municipal Finance Officers' Association; A. E. Neale, City Auditor, Springfield, Mass.—National Association of Cost Accountants; Edmund R. Stewart, State Auditor of Maryland—National Association of State Auditors, Comptrollers, and Treasurers; Lent D. Upson, Director, Detroit Bureau of Governmental Research—National Municipal League; Stuart A. Rice, Assistant Director, Bureau of the Census.

Frank J. Flanagan was elected chairman of the new organization. Lloyd Morey is vice-chairman. These two with F. H. Elwell constitute the executive committee. Carl H. Chatters is secretary. A full-time staff of accountants, supplemented by special consultants, will be engaged in the work, which will take at least three years. T. M. Dickerson, formerly assistant secretary of the National Association of Cost Accountants, will be chief staff accountant.

Each association will have a sub-committee on municipal or governmental accounting with which its representative of the general committee may confer. Thus, the general and advisory committees will bring together the opinions of sixty or seventy persons qualified to speak with authority.

The proposed activities of the group embrace a statement of the history and present state of municipal accounting and reporting; an outline of general principles of municipal accounting; a program for municipal audits including classification of funds, of expenditures and revenues, of assets, and of liabilities; municipal financial reports; a statement of principles for the fiscal organization and management of a municipality; qualifications of accounting officials; and a bibliography.

A standard program for municipal audits is badly needed and will be developed by the committee. Of one hundred eighty-seven cities recently reporting their practice with respect to independent audits, forty-six reported no regular audits, thirty-three reported an audit by some state agency although two or three years might elapse between periods, and one hundred eight reported that periodic audits were made by independent private agencies. Many of these audit contracts are awarded on the basis of bids and the work is given to the lowest bidder whether or not he may have the best qualifications for the job.

CARL H. CHATTERS

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Western Conference on Government.—Complete program for the western conference on government to be held at Berkeley, Cal., on March 28, 29 and 30, will be announced in the March issue of the REVIEW. Cooperating with the National Municipal League in sponsoring the conference are the International City Managers Association, U. S. Conference of Mayors, Municipal Finance Officers Association, American Legislators' Association and the Governmental Research Association.

*

Connecticut Studying Simplified Local Government.—The Tax Study Commission of Connecticut, headed by Professor Fred R. Fairchild of Yale University, has stated, prior to its first public hearing, that it would be imperative to examine the financial relationships existing between the state, county, and municipal authorities, particularly as to elementary education, public welfare, and highways. The commission thus recognizes a broader function than merely seeking to reduce real estate taxes. The respective authority of the state and the towns is a point of considerable controversy. As to the eight counties, the very necessity of their existence has at times been challenged. The commission will report to the next legislature in 1935.

*

Texas Counties Act for Home Rule.—Under the county home rule amendment to the Texas constitution, approved by the voters of that state on August 26, 1933, which

permits counties of over sixty-two thousand population to establish their own governments by popular vote, El Paso and Tarrant Counties (the latter containing the city of Fort Worth) have taken steps for the appointment of charter commissions. In Dallas County a special committee of the Dallas Chamber of Commerce has issued a report on charter revision, and petitions are being circulated as the preliminary step toward this end.

*

Charter Revision in Milwaukee.—After the failure in 1933 of efforts to have the Wisconsin legislature repeal certain obstructive provisions in the charter-making procedure, the common council of the city directed the city attorney to draft a charter ordinance providing for the appointment by the mayor, with approval of the council, of the city attorney, city comptroller, and city treasurer, who are now elected by popular vote. The ordinance was approved by the council and is to be voted upon at a popular referendum requiring a majority vote. Milwaukee may thus adopt the short-ballot principle as one step in a piece-meal charter revision.

*

Vote on City Manager Charter in Seattle Hindered.—Efforts to place the city manager charter amendment on the ballot in Seattle, Washington, are meeting with determined opposition. A legal committee of the amendment's friends has sought by mandamus action to compel the authorities to permit a vote, and a hearing has been held before the Superior Court of King County, to determine among other matters whether the amendment contains unrelated proposals. Fred W. Catlett and other attorneys have presented the case for the amendment, against counsel for the mayor, the comptroller, and the city council.

*

Toward Improvement of County Government in New York State.—Simplification of local government in New York State can be notably advanced if the Desmond bills for voluntary reorganization of county government, introduced in the state senate, become law. Five alternative forms of government, including the county manager plan, are provided for, and any of seven methods of electing officials may be adopted.

Meanwhile, in Westchester County, just north of New York City, the board of supervisors has appointed a commission of seven prominent citizens to make recommendations for a new form of government for that county. Within its 450 square miles there are forty-seven separate units of government, some of them reminiscent of colonial days. The commission includes Carl H. Pforzheimer, treasurer of the National Municipal League.

*

Local Government in North Carolina Mountains Studied.—Four research workers, headed by Columbus Andrews, have gone from the University of North Carolina into the mountain counties of that state to study the local government situation and the prospects as to county consolidation. This study is being made for the Tennessee Valley Authority, under a grant from the C.W.A.

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Will New York Adopt Effective Liquor Control?—A bill based upon the model liquor control law of the National Municipal League's committee dealing with that subject has been introduced in the New York legislature by Senator Thomas C. Desmond. It would establish a state liquor control authority, with state-owned stores, largely eliminating private profit while producing revenue estimated at forty million dollars annually.

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Pennsylvania's Liquor Control Program.—While in many states the repeal of the eighteenth amendment, assured by the results of the November 7 election and made effective on December 5, found not only a confused popular attitude toward liquor control but a lack of a definite policy and program on the part of the authorities, Governor Gifford Pinchot of Pennsylvania presented a carefully devised plan to the legislature meeting in special session on November 13. The plan was based on various studies of the control problem and efforts for its solution in Europe and America; it seeks to discourage both intemperance and political corruption by minimizing the element of private profit, and to produce adequate revenue for the state without encouraging bootlegging. The open saloon is barred; licenses for hotels, restaurants, clubs, and others authorized to act as retailers are to be issued by a state alcohol permit board; these establishments and people generally will purchase from state liquor stores. A tax of two dollars a gallon is imposed on liquor stored in the state prior to repeal—a tax estimated to yield $25,000,000—while a tax of one dollar a gallon applies to liquor distilled or imported after repeal.

License fees for breweries and distilleries are greatly increased.

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Washington Adopts State Liquor Sale.—A bill to empower the state of Washington to conduct a retail liquor sales business has passed the legislature.

*

Sales Taxes Sought and Decried.—The state of Missouri has adopted a sales tax of one-half of one per cent on certain transactions, including retail sales of tangible personal property, admission tickets, railroad tickets and public utility services, newspaper and outdoor advertising, and commercial laundry, cleaning, and dyeing service. It was effective January 15 of this year and expires December 31, 1935. It is expected to produce from four to six million dollars a year. Colorado and Louisiana are also considering sales tax legislation.

On the other hand, Governor Lehman of New York advocates the repeal of the sales tax in that state, and Mark Graves, eminent tax authority and former head of the New York State Tax Commission, has been outspoken in opposing the New York retail sales tax, declaring that it is "the most difficult and perplexing statute which we have ever tried to administer." He has also objected to it on the ground that it has driven business from the state.

*

Old-Age Pension Laws.—Besides Ohio, which, as noted in the *Review* in December, adopted an old-age pension law last year, eleven other states enacted this type of legislation in 1933, according to the *United States News*. They were: Arizona, Arkansas, Colorado, Indiana, Maine, Michigan, Nebraska, North Dakota, Oregon, Pennsylvania and Washington. Prior to 1933 the following had done so: California, Delaware, Idaho, Kentucky, Maryland, Massachusetts, Minnesota, Montana, Nevada, New Hampshire, New Jersey, Utah, West Virginia, Wisconsin, and Wyoming. The Arkansas law has been declared unconstitutional, however. In twenty-one of these states old-age assistance is mandatory upon the counties; in most cases the states contribute substantially, and in Colorado, Delaware, Michigan, North Dakota, and Pennsylvania the state stands the entire cost.

*

Valuable Tax Information.—The General Welfare Tax League, 309 East 34 Street, New York, of which Mabel L. Walker is secretary, is establishing a series of information bulletins for its members and others. Bulletin No. 1, for the month of November 1933, consists of seven mimeographed pages. It comments on recent tax legislation in general, and on tax limitation, sales taxes, and income taxes in particular. Two very valuable tabulations are included—one relating to general sales taxes in effect in the various states as of October 1933, the other doing similarly as to personal and corporate net income taxes. There is also news of the League.

Bulletin No. 2, for December, presents a study of tax limits, and includes a table of constitutional and statutory tax limits in the various states as of November 1933.

Bulletin No. 3, for January, is devoted to the subject of liquor taxation. Members of the league receive the bulletin free; to others it is twenty-five cents a copy.

*

Western Bus and Truck Conference.—At the request of the state of Utah, a western bus and truck conference will convene in Salt Lake City, Utah, June 25, American Legislators' Association has just announced.

Representatives from eleven states have been invited: Arizona, California, Colorado, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming. The Western Conference of Governors has endorsed the meeting.

Problems of uniformity of weight and dimensions of motor vehicles transporting passengers and freight will be discussed along the lines of the first Interstate Bus and Truck Conference at Harrisburg, Penna., in 1933. In addition, the westerners will look toward framing of uniform legislation relating to taxation, licensing, and traffic regulations.

Participants will include presiding officers of the legislatures, motor vehicles and highway commissioners, public utility commissioners, chairmen of the standing legislative committees on motor vehicle legislation, and designated members from the senates and houses of the various states. Representatives from the United States Bureau of Public Roads are also invited.

In announcing the conference, Henry W. Toll, director of the American Legislators' Association, says: "In the past many difficulties of governmental regulation have been aggravated by the absence of facilities for conferences between law-making bodies. It is hoped that this conference will provide an opportunity for drafting coöperative and mutually agreeable motor vehicle regulations"